

issuance advice letter, as provided in this Debt Obligation Order. If market conditions make it desirable to issue Subchapter N Bonds in more than one series (including for the refinancing of previously issued Subchapter N Bonds), then the authority and approval granted in this Debt Obligation Order are effective as to each such issuance upon, but only upon, ERCOT's filing with the Commission a separate issuance advice letter for that issuance demonstrating compliance of that issuance with the provisions of this Debt Obligation Order.

I. DISCUSSION AND STATUTORY OVERVIEW

In February 2021, Winter Storm Uri resulted in outages at many of the generating resources within the ERCOT region, and the demand for power exceeding supply for ~~many~~several days during the storm.⁵ These conditions required that load be involuntarily shed to protect the integrity of the ERCOT transmission grid, and many Texans lost power for extended periods during the storm. ~~As a result of these~~⁶ The resulting scarcity conditions, drove up prices in the wholesale electricity ~~prices in ERCOT were charged at the price cap over the course of many days. The financial impact of this extended period of high prices~~market, which caused a number of market participants, many of whom represented ~~load serving entities~~Load-Serving Entities, to default on their payment obligations under ~~the~~ ERCOT protocols.⁷ As a result of these payment defaults, ERCOT was unable to collect sufficient funds to fully pay ~~other~~certain wholesale market participants who were due payments from ERCOT for power they produced during the storm.

In response to these payment defaults and the price of electricity and other costs in the wholesale market, the Texas Legislature passed House Bill 4492 during the 87th Legislative Session ("HB 4492"), which, among other things, authorized ERCOT, under Subchapter N of Chapter 39 of

⁵ ERCOT Ex. 2 (Ögelman Direct) at 19.

⁶ *Id.* at 19-20.

⁷ *Id.* at 20.

PURA ("Subchapter N"), to apply to the Commission for the establishment of a debt financing mechanism to finance the Uplift Balance arising from ~~by~~ Winter Storm Uri.⁸ "Uplift Balance" means an amount of money of not more than \$2.1 billion that represents amounts uplifted to ~~load-serving entities~~ Load-Serving Entities on a load ratio share basis due to energy consumption from the period beginning 12:01 a.m., February 12, 2021, and ending 11:59 p.m., February 20, 2021 (the "Period of Emergency"), for reliability deployment price adder charges ("RDPA Charges") and ancillary services costs in excess of the Commission's system-wide offer cap ("Ancillary Service Charges," and together with RDPA Charges, "Qualifying LSE Costs").⁹ The term Uplift Balance does not include amounts that were part of the prevailing settlement point price during the Period of Emergency.¹⁰

According to the statutory language enacted by the Legislature, the use of a debt financing mechanism will enable ~~load-serving entities~~ Load-Serving Entities who were assessed extraordinary ~~Uplift Charges~~ uplift charges due to consumption during the Period of Emergency to pay those charges over a longer period of time, alleviating liquidity issues and reducing the risk of additional defaults in the wholesale market.¹¹

The Legislature ~~provided this option for recovering the Uplift Balance based on its conclusion found that such~~ authorizing financing as provided in Subchapter N serves the public purpose of stabilizing the electricity market in the ERCOT region.¹² As a precondition to the financing, the Legislature requires the Commission to find that the issuance of Subchapter N Bonds is needed to support the financial integrity of the wholesale market and is necessary to protect the

⁸ Tex. Util. Code § 39.653(a); see also ERCOT Ex. 2 (Ögelman Direct) at 10.

⁹ Tex. Util. Code § 39.652(4).

¹⁰ Tex. Util. Code § 39.652(4).

¹¹ Tex. Util. Code § 39.651(b).

¹² Tex. Util. Code § 39.651(c).

public interest, after considering the impacts on both ~~load-serving entities~~ Load-Serving Entities and retail customers.¹³

To enable ERCOT to finance the Uplift Balance, the Commission may approve a debt obligation order in accordance with PURA § 39.653(a). ERCOT has requested that the Commission issue a debt obligation order authorizing ERCOT to issue evidences of indebtedness or ownership that are issued under a debt obligation order, that are secured and payable from Uplift Charges, and authorized for the public purpose of stabilizing the electricity market in the ERCOT region. "Uplift Charges" are defined in Subchapter N as charges assessed to ~~load-serving entities~~ Load-Serving Entities to repay amounts financed to pay the Uplift Balance and reasonable costs incurred to implement a debt obligation order under Subchapter N, including the cost of retiring or refunding existing debt.

If Subchapter N Bonds are approved by the Commission and issued through ERCOT, Load-Serving Entities must pay the principal, interest, and related charges of the Subchapter N Bonds through Uplift Charges.¹⁴ Uplift Charges are nonbypassable charges to be assessed to ~~load-serving entities~~ Load-Serving Entities on a load ratio share basis, including ~~load-serving entities~~ Load-Serving Entities who enter the market after a debt obligation order has been issued, but excluding the ~~load-serving entities~~ Load-Serving Entities that opt-out (as hereinafter described), and as further provided in this Debt Obligation Order.¹⁵ Under Subchapter N, the term "Load-Serving Entity" means a municipally owned utility, an electric cooperative, or a retail electric provider.¹⁶ In connection with a debt obligation order, Subchapter N requires the Commission to develop a one-

¹³ Tex. Util. Code § 39.653(a)

¹⁴ Tex. Util. Code § 39.660. See also § 39.657 (providing that Uplift Charges shall be sufficient to ensure that the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the debt obligations).

¹⁵ Tex. Util. Code § 39.653(c).

¹⁶ Tex. Util. Code § 39.652(2).

time process, created by the Commission, that allows municipally owned utilities, electric cooperatives, river authorities, a retail electric provider that has the same corporate parent as each of the provider's customers, a retail electric provider that is an affiliate of each of the provider's customers, and transmission-voltage customers served by a retail electric provider to opt-out of the Uplift Charges by paying in full all invoices owed for usage during the Period of Emergency.¹⁷ Any entity that opts out shall not receive any proceeds from the uplift financing.¹⁸

Pursuant to PURA § 39.653(b)(2), the period over which Uplift Charges may be assessed to repay the debt obligations may not exceed thirty (30) years. The Commission concludes that this prevents the assessment of Uplift Charges to Load-Serving Entities after the 30-year period, but it does not prohibit recovery of Uplift Charges for assessments rendered during the 30-year period but not actually collected until after the 30-year period.

In accordance with PURA § 39.653(b)(3), a debt obligation order must provide a process for remitting Subchapter N Bond proceeds to Load-Serving Entities that were exposed to Qualifying LSE Costs, and Load-Serving Entities must provide documentation of their exposure to the Qualifying LSE Costs. A debt obligation order must include a requirement that any Load-Serving Entity that receives proceeds from the financing that exceed the entity's actual exposure to Uplift Charges (hereinafter defined as "Excess Receipts") from consumption during the Period of Emergency must notify ERCOT and remit any Excess Receipts.¹⁹ Excess Receipts received by ERCOT must be credited against the Uplift Balance to reduce the remaining Uplift Charges.²⁰ Additionally, any Load-Serving Entity that receives proceeds from the Subchapter N Bonds is required to return an amount of the proceeds equal to any amount of money received by the entity

¹⁷ Tex. Util. Code § 39.653(d).

¹⁸ *Id.*

¹⁹ Tex. Util. Code § 39.653(e).

²⁰ Tex. Util. Code § 39.653(e).

due to litigation seeking judicial review of pricing or uplift actions taken by the Commission or ERCOT in connection with the Period of Emergency.²¹

The Commission must ensure that net proceeds from the sale of Subchapter N Bonds are used solely for the purpose of financing Qualifying LSE Costs.²² A Load-Serving Entity that receives proceeds from the debt obligations may use the proceeds solely for the purposes of fulfilling payment obligations directly related to the Qualifying LSE Costs and refunding the Qualifying LSE Costs to retail customers who have paid or otherwise would be obligated to pay such Qualifying LSE Costs.²³ The Commission may use any enforcement mechanism established by Chapters 15 and 39 of PURA, including revocation of certification by the Commission, against any entity that fails to remit Excess Receipts or otherwise misappropriates or misuses amounts received from the Uplift Balance financing.²⁴

All Load-Serving Entities that receive bond proceeds or credits to specific ~~Uplift~~ Charges uplift charges from ERCOT must adjust customer invoices to reflect the bond proceeds or credits for any charges that were or would otherwise be passed through to customers under the terms of service with the Load-Serving Entity, including by providing a refund for any bond proceeds or credits charges that were previously paid.²⁵ An electric cooperative, including an electric cooperative that elects to receive bond proceeds or credits, may not otherwise become subject to rate regulation by the commission and receipt of bond proceeds or credits does not affect the applicability of Chapter 41 of PURA to an electric cooperative.²⁶

²¹ Tex. Util. Code § 39.664.

²² Tex. Util. Code § 39.651(d).

²³ *Id.*

²⁴ Tex. Util. Code § 39.661.

²⁵ Tex. Util. Code § 39.660.

²⁶ *Id.*

PURA requires the Commission and ERCOT to pursue collection in full of amounts owed to ERCOT by any Load-Serving Entity that ~~does not opt out in accordance with PURA § 39.653(f), that~~ would otherwise be borne by other wholesale market participants or their customers.²⁷

PURA provides that Uplift Charges shall be assessed by ERCOT;²⁸ however, the rights and interest of ERCOT to impose, collect and receive Uplift Charges may be assigned or pledged to a successor under a debt obligation order in connection with the issuance of Subchapter N Bonds.²⁹ Such rights become contract rights until they are first transferred to an assignee in connection with the issuance of Subchapter N Bonds, at which time they become the Uplift Property of the assignee.³⁰ "Uplift Property" constitutes a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of Uplift Charges depends on further acts of the independent organization or others that have not yet occurred.³¹ A debt obligation order issued under Subchapter N shall remain in effect and the property shall continue to exist until the principal, interest and premium, and any other authorized charges incurred and contracts to be performed in connection with the related financings have been paid and performed in full.³² All revenues and collections resulting from Uplift Charges shall constitute proceeds only of the Uplift Property arising from a debt obligation order.³³ Transactions involving the transfer and ownership of Uplift Property and the receipt of Uplift Charges are exempt from state and local income, sales, franchise, gross receipts, and other taxes or similar charges.³⁴

²⁷ Tex. Util. Code § 39.159(c).

²⁸ Tex. Util. Code § 39.653(c).

²⁹ Tex. Util. Code § 39.662(a).

³⁰ Tex. Util. Code § 39.662(a).

³¹ Tex. Util. Code § 39.662(b).

³² *Id.*

³³ Tex. Util. Code § 39.662(c).

³⁴ Tex. Util. Code § 39.658.

A debt obligation order under PURA must ensure that the imposition and collection of Uplift Charges authorized therein shall be nonbypassable, except for entities that opt-out in accordance with the Commission's one-time process.³⁵ A debt obligation order is also required to include a mechanism requiring that Uplift Charges be reviewed and adjusted at least annually, within forty-five (45) days of the anniversary date of the issuance of the Subchapter N Bonds, to correct any over-collections or under-collections during the preceding twelve (12) months and to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the Subchapter N Bonds.³⁶ In addition to the required annual reviews, more frequent reviews are allowed and under certain circumstances required to ensure that the amount of the Uplift Charges matches the funding requirements approved in a debt obligation order.

Effective on the date that the first Subchapter N Bonds are issued under a debt obligation order, if any provision of PURA is held to be invalid or is invalidated or superseded, replaced or repealed, or expires for any reason, that occurrence does not affect the validity or continuation of any other provision of PURA that is relevant to the issuance, administration, payment, retirement, or refunding of any Subchapter N Bonds authorized under a debt obligation order or to any actions of ERCOT, its successors, any assignee, a collection agent, or an issuer and those provisions shall remain in full force and effect.³⁷

The State of Texas has pledged, for the benefit and protection of financing parties and ERCOT, that it shall not take or permit any action that would impair the value of Uplift Property, or reduce, alter, or impair the Uplift Charges to be imposed, collected, and remitted to financing parties until the principal, interest and premium, and any other charges incurred and contracts to be

³⁵ Tex. Util. Code § 39.656.

³⁶ Tex. Util. Code § 39.657.

³⁷ Tex. Util. Code § 39.659.

performed in connection with the related Subchapter N Bonds have been paid and performed in full.³⁸ ERCOT is authorized to include this pledge in any documentation relating to the Subchapter N Bonds.³⁹

The Commission must ensure that the structuring and pricing of the Subchapter N Bonds result in the lowest Uplift Charges consistent with market conditions and the terms of this Debt Obligation Order.⁴⁰

The financing requested by ERCOT will support the financial integrity of the wholesale market and is necessary to protect the public interest.

~~In accordance with the mandate provided in HB 4492, ERCOT is filing an application under Subchapter N on an accelerated timeline. Accordingly, more detailed information or descriptions of processes that will ultimately implement the financing, to the extent necessary in this proceeding, will be provided in supplemental testimony or in response to discovery.~~

To facilitate compliance and consistency with applicable statutory provisions, this Debt Obligation Order adopts the definitions in PURA § 39.652.

II. DESCRIPTION OF PROPOSED TRANSACTIONS

A description of the transactions proposed by ERCOT is contained in its application and the filing package submitted as part of the application.⁴¹ A brief summary of the proposed transaction is provided in this section. A more detailed description is included in Section III.C., titled "Structure of the Proposed Financing."

To facilitate the proposed financing, ERCOT proposed that one or more special purpose funding entities ("BondCo") be created and to which ~~whom~~ ERCOT will transfer the rights to

³⁸ Tex. Util. Code § 39.663.

³⁹ Tex. Util. Code § 39.663.

⁴⁰ Tex. Util. Code § 39.651(e).

⁴¹ ERCOT Exs. 1, 2, 3, and 4.

impose, collect, and receive Uplift Charges along with the other rights arising pursuant to this Debt Obligation Order.⁴² Upon transfer these rights will become Uplift Property as provided by PURA § 39.662.⁴³ BondCo will issue Subchapter N Bonds and will transfer the net proceeds from the sale of the Subchapter N Bonds to ERCOT in consideration for the transfer of the Uplift Property.⁴⁴ If ERCOT determines it to be necessary to achieve the lowest overall Uplift Charges consistent with market conditions and the terms of this Debt Obligation Order, ERCOT may elect to cause BondCo to be organized and managed in a manner designed to achieve the objective of maintaining BondCo as a bankruptcy-remote entity that would not be affected by the bankruptcy of ERCOT or any other affiliates of ERCOT or any of their respective successors.⁴⁵ ERCOT may also elect to cause BondCo to have at least one independent manager whose approval will be required for certain major actions or organizational changes by BondCo. ERCOT may organize BondCo so that it may issue more than one series of debt under conditions specified in the BondCo organizational documents.⁴⁶

The Subchapter N Bonds will be issued pursuant to an indenture and administered by an indenture trustee (any such indenture, the "Indenture," and any such trustee under an Indenture, the "Indenture Trustee").⁴⁷ The Subchapter N Bonds will be secured by and payable solely out of the Uplift Property created pursuant to this Debt Obligation Order and other collateral described in ERCOT's application. That collateral will be pledged to the Indenture Trustee for the benefit of the holders of the Subchapter N Bonds and to secure payment of the Uplift Balance.

The servicer of the Subchapter N Bonds will collect the Uplift Charges and remit those amounts to the Indenture Trustee on behalf of BondCo.⁴⁸ The servicer will be responsible for making

⁴² ERCOT Ex. 4 (Taylor Direct) at 9.

⁴³ ERCOT Ex. 3 (Atkins Direct) at 18-19.

⁴⁴ ERCOT Ex. 4 (Taylor Direct) at 9.

⁴⁵ ERCOT Ex. 3 (Atkins Direct) at 17.

⁴⁶ ERCOT Ex. 3 (Atkins Direct) at 33.

⁴⁷ *Id.* at 39.

⁴⁸ ERCOT Ex. 3 (Atkins Direct) at 39.

any required or allowed true-ups of the Uplift Charges. If the servicer defaults on its obligations under the servicing agreement, the Indenture Trustee may appoint a successor servicer. ERCOT will act as the initial servicer for the Subchapter N Bonds.

Uplift Charges will be calculated to ensure the collection of an amount sufficient to service the principal, interest, and related charges for the Subchapter N Bonds incurred to implement this Debt Obligation Order.⁴⁹ Uplift Charges will be allocated among ~~qualified scheduling entities~~ Qualified Scheduling Entities ("QSE") representing Load-Serving Entities on a load ratio share basis, including Load-Serving Entities who enter the market after a Debt Obligation Order has been issued, but excluding the Load-Serving Entities that opt-out in accordance with the Commission's one-time process.⁵⁰ The Uplift Charges will be calculated, assessed and charged pursuant to the method described in Findings of Fact Paragraphs ~~5253~~ through ~~5960~~ of this Debt Obligation Order. In addition to the annual true-up required by PURA § 39.657, interim true-ups may be required and performed as necessary to ensure that the amount collected from Uplift Charges is sufficient to service the Subchapter N Bonds. The methodology for making true-ups and allocation adjustments and the circumstances under which each will be made are described in Findings of Fact Paragraphs ~~6462~~ through ~~7071~~ of this Debt Obligation Order.

The Commission determines that ERCOT's proposed structure for the Uplift Charges should be utilized. This structure is designed to provide substantially level annual debt service and revenue requirements over the life of the bond issue, which shall not exceed thirty (30) years.

In its application, filed on July 16, 2021, ERCOT requested authority to securitize Uplift Charges and cause the issuance of Subchapter N Bonds to finance (a) the Uplift Balance in the amount of up to \$2.1 billion, plus (b) the Upfront Costs associated with the issuance of the

⁴⁹ *Id.* at 18.

⁵⁰ Tex. Util. Code § 39.653(c).

Subchapter N Bonds approved in any issuance advice letter (collectively, the "Securitizable Amount").

The Commission finds that ERCOT should be permitted to pay out of the proceeds of the Subchapter N Bonds, the reasonable implementation costs incurred to implement this Debt Obligation Order, including upfront costs associated with the issuance of the Subchapter N Bonds in accordance with this Debt Obligation Order ("Upfront Costs"). Upfront Costs may include (i) the cost of original issue discount, credit enhancements and other arrangements to enhance marketability, (ii) the cost of ERCOT's financial advisor, (iii) SEC registration fees, underwriters' fees, rating agency fees, attorneys' fees, (iv) any costs incurred by ERCOT, including costs related to the establishment and maintenance of BondCo(s), and (iv) any costs incurred by ERCOT if this Debt Obligation Order is appealed. The draft issuance advice letter shall reflect the estimated Upfront Costs to be paid from the proceeds of the Subchapter N Bonds. The amount of such Upfront Costs will be updated in the issuance advice letter to reflect more current information available to ERCOT prior to the issuance of the Subchapter N Bonds.

BondCo may, through Uplift Charges, cover the ongoing costs of maintaining and servicing Subchapter N Bonds as those are a cost to repay amounts financed under Subchapter N as authorized by this Debt Obligation Order ("Ongoing Costs"). The draft issuance advice letter shall reflect the estimated Ongoing Costs of servicing and ~~administering~~administering each series Subchapter N ~~Bond~~Bonds authorized in this Debt Obligation Order. The amount of such Ongoing Costs will be updated in the final issuance advice letter to reflect more current information available to ERCOT prior to the issuance of the Subchapter N Bonds.

III. FINDINGS OF FACT

A. Identification and Procedure

1. Identification of Applicant and Background

1. ERCOT manages the flow of electric power to more than 26 million Texas customers -- representing about 90 percent of the state's electric load.⁵¹ As the independent system operator for the region, ERCOT schedules power on an electric grid that connects more than 46,500 miles of transmission lines and 710+ generation units. It also performs financial settlement for the competitive wholesale bulk-power market and administers retail switching for 8 million premises in competitive choice areas.⁵² ERCOT is a membership-based 501(c)(4) nonprofit corporation, governed by a board of directors and subject to oversight by the Commission and the Texas Legislature.⁵³ Its members include consumers, cooperatives, generators, power marketers, retail electric providers, investor-owned electric utilities, transmission and distribution providers and municipally owned electric utilities.⁵⁴
2. Winter Storm Uri resulted in forced outages at many of the generating resources within the ERCOT region, and demand for power greatly exceeded supply. ~~Wholesale electricity prices in ERCOT were charged at the price cap for many days.~~⁵⁵ On February 15, at 1:20 a.m., ERCOT declared its highest state of emergency, an Emergency Energy Alert Level 3 ("EEA3"), due to exceptionally high electric demand and the lack of supply. In order to avoid a blackout of the entire ERCOT region, ERCOT directed transmission operators to curtail load. Significant levels of generation forced outages continued from February 15 through February 20, with approximately 48.6% of the potential generation offline and unavailable

⁵¹ ERCOT Ex. 2 (Ögelman Direct) at 15.

⁵² *Id.* at 16-17.

⁵³ *Id.* at 15.

⁵⁴ *Id.*

⁵⁵ *Id.* at 19-20.

at one point. As a result, the ERCOT system remained in EEA3 and continued to direct the curtailment of load until Thursday, February 18 at 12:42 a.m. ERCOT ended EEA3 on Friday, February 19 at 9:00 a.m., and ERCOT returned to normal operations at 10:35 am on February 19, 2021.⁵⁶ During the winter storm, ERCOT instructed transmission operators to institute firm load shed, but this load shed was not one of the "out-of-market" actions specifically accounted for in the existing RDPA calculation. Therefore, when firm load shed initially occurred on Feb. 15, 2021, there was no adjustment to the RDPA calculated by ERCOT under Section 6.5.7.3.1 specifically in relation to the firm load shed conditions. As a result, for many of the intervals during which there was firm load shed on February 15, 2021, energy prices in ERCOT were less than the \$9,000/MWh Value of Lost Load.⁵⁷ To address this, the Commission issued an Order at an Open Meeting on Feb. 15, 2021, that directed ERCOT to "ensure that firm load that is being shed in EEA3 is accounted for in ERCOT's scarcity pricing signals." This directive was based on the Commission's observation that energy prices of less than \$9,000/MWh during load-shed conditions are "inconsistent with the fundamental design of the ERCOT market." Beginning at 10:15 p.m. on February 15, 2021 and continuing until ERCOT exited EEA3 at 9:00 a.m. on February 19, 2021, ERCOT adjusted the RDPA to result in a price adjustment that set energy prices at \$9,000/MWh.⁵⁸ Because of the manner in which the day-ahead market co-optimizes the procurement of energy and Ancillary Services, it is possible to produce prices for Ancillary Services products that can significantly exceed the system-wide offer cap, particularly during times of acute scarcity, which occurred during many hours of the Period of Emergency.⁵⁹

⁵⁶ Id. at 19.

⁵⁷ Id. at 20.

⁵⁸ Id. at 20-21.

⁵⁹ Id. at 22.

ERCOT issued a market notice on February 14, 2021 describing details of the day ahead market clearing process and the reason for Ancillary Service prices that were significantly in excess of the system-wide offer cap for operating day February 15, 2021. ERCOT noted at that time that it had found the Ancillary Service prices to be computed consistent with the ERCOT Protocols, and that ERCOT had not identified a need to correct Ancillary Service prices for the operating day of February 15, 2021.⁶⁰ The financial impact of the extended period of high prices caused a number of market participants, many of whom represented ~~load-serving entities~~Load-Serving Entities, to default on payment obligations to ERCOT.⁶¹ As a result~~of~~, ERCOT was unable to collect sufficient funds to fully pay other wholesale market participants due payments from ERCOT for power produced during the storm. Load-Serving Entities incurred significant charges for RDPA Charges and Ancillary Services costs during the Period of Emergency.⁶² In response, the Texas Legislature passed HB 4492 during the 87th Texas Legislative Session, which added Subchapter N to Chapter 39 of PURA and is codified as §§ 39.651-.664. HB 4492 enables ERCOT to finance the Uplift Balance in a manner that will allow wholesale market participants who were assessed ~~Uplift Charges~~uplift charges due to consumption during the Period of Emergency to pay those charges over a longer period of time, alleviating liquidity issues and reducing the risk of additional defaults in the wholesale market.⁶³

3. ERCOT acts as the central counter-party for all transactions settled in the ERCOT wholesale market, meaning that ERCOT is the sole seller to each buyer, and ERCOT is the sole buyer

⁶⁰ Id. at 22-23.

⁶¹ Id. at 33.

⁶² Id. at 33.

⁶³ Tex. Util. Code § 39.651(b)

from each seller.⁶⁴ It is essential for ERCOT to maintain revenue neutrality in serving this function. ERCOT generates no profit, but instead acts as a clearinghouse through which funds are exchanged between buyers and sellers in the ERCOT market.⁶⁵ In its role as the central counter-party, ERCOT only financially transacts with market participants registered with ERCOT as a QSE or a ~~congestion revenue right~~ Congestion Revenue Rights ("CRR") account holder.⁶⁶ ERCOT does not transact directly with Load-Serving Entities. A QSE representing one or more Load-Serving Entities is responsible for communicating with ERCOT on behalf of the Load-Serving Entities.⁶⁷ Under the ERCOT protocols, the QSE is also responsible for settling payments and charges with ERCOT on behalf of its Load-Serving Entities.⁶⁸

2. Procedural History

4. On July 16, 2021, ERCOT filed an application for a debt obligation order pursuant to PURA § 39.653 to approve the Uplift Balance of up to \$2.1 billion, approve the assessment and collection of Uplift Charges to all Load-Serving Entities (except as expressly exempted under PURA), and securitize the Uplift Charges and cause the issuance of Subchapter N Bonds to finance the Uplift Balance in a principal amount equal to the Securitizable Amount.⁶⁹ The application includes exhibits, schedules, attachments and testimony. ERCOT's application was assigned Docket No. 52322.

⁶⁴ ERCOT Ex. 2 (Ögelman Direct at 16-18).

⁶⁵ *Id.* at 16.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ ERCOT Ex. 1.

5. An intervention deadline of _____, July 27, 2021 was established by order issued on _____, July 20, 2021.⁷⁰

~~6. The following parties requested and were granted intervention: _____. Commission Staff also participated in the proceeding.~~

6. On _____, 2021, The following parties requested and were granted intervention: Texas Industrial Energy Consumers; Just Energy Texas, LP; Fulcrum Energy d/b/a Amigo Energy, Tara Energy, and Hudson Energy Services, LLC; NRG Energy, Inc.; City of Garland; DC Energy Texas, LC; City of Austin d/b/a Austin Energy; Coalition of Competitive Retail Electric Providers; Luminant Energy Company, LLC; Lower Colorado River Authority and LCRA WSC Energy; TXU Retail Energy Company, LLC, Ambit Texas, LLC, Luminant ET Services Company, LLC, TriEagle Energy LP, Value Based Brands LLC d/b/a 4Change Energy, Express Energy and Veteran Energy; Exelon Generation Company, LLC; Avangrid Renewables, LLC; Shell Energy North America (US), L.P.; Gexa Energy LP; Energy Trading Institute; City of Denton; City of Georgetown; City of Lubbock; BP Energy Company; EDF Energy Services, LLC; City of Seguin; AP Gas & Electric (TX), LLC d/b/a APG&E; Texas Retail Energy LLC; Tenaska Power Services Co., TPS I, TPS II, TPS III, TPS IV, Tenaska TOPS REP LP, TOPS 1, TOPS 5, TOPS 6, and TOPS 7; Citigroup Energy Inc.; Golden Spread Electric Cooperative, Inc.; Texpo Power LP; Southern Federal Power LLC; Calpine Corporation; 174 Power Global Retail Texas, LLC; Rayburn Country Electric Cooperative, Inc.; East Texas Electric Cooperative, Inc.; Office of Public Utility Counsel; Engie Resources LLC and Engie Energy Marketing NA, Inc.; Morgan Stanley Capital

⁷⁰ Docket No. 52322, Order No. 1 Entering Protective Order, Requiring Commission Staff's Recommendations, Adopting a Procedural Schedule, Notifying the Parties of a Prehearing Conference, and Discussing Other Procedural Matters at 2 (July 20, 2021).

Group, Inc.; Vitol Inc.; AEP Energy Partners; and South Texas Electric Cooperative.⁷¹

Commission Staff also participated in the proceeding.

7. The hearing on the merits was held on August 24-25, 2021. On [September 23, 2021 / October 7, 2021], in an open meeting, the Commission deliberated on the merits of ERCOT's application and rendered this final Debt Obligation Order, which, among other things: (a) approves the Uplift Balance in an aggregate amount of \$2.1 billion plus the reasonable implementation costs incurred to implement this Debt Obligation Order, including upfront costs associated with the issuance of the Subchapter N Bonds; (b) approves the assessment and collection of the Uplift Charges to all obligated Load-Serving Entities in an amount sufficient to ensure the ~~expected~~ recovery of amounts ~~sufficient~~ expected to be necessary to timely provide all payments of debt service and other required amounts and charges in connection with the Subchapter N Bonds; (c) authorizes the issuance of Subchapter N Bonds by ERCOT in one or more series in an aggregate principal amount not to exceed the Securitizable Amount; (d) approves the securitization of Uplift Charges and the creation of Uplift Property to be pledged and assigned by ERCOT as collateral, or transferred and assigned, and act as the source of repayment for the Subchapter N Bonds.

3. Notice of Application

8. ~~Notice~~ ERCOT provided notice of ~~ERCOT's~~ sits application to Load-Serving Entities ~~was provided~~ through ERCOT's existing communication platforms on July 10, 2021.
9. ERCOT provided proof of notice through ~~an affidavit~~ a filing on July 19, 2021.⁷² In Order No. 2, the notice provided by ERCOT was found reasonable.⁷³

⁷¹ Docket No. 52322, Order No. 2, Finding Application Sufficient and Notice Reasonable, Memorializing Prehearing Conference, and Adopting Amended Procedural Schedule at 1-2 (July 29, 2021).

⁷² ERCOT Ex. 5.

⁷³ Docket No. 52322, Order No. 2, Finding Application Sufficient and Notice Reasonable, Memorializing Prehearing Conference, and Adopting Amended Procedural Schedule at 1 (July 29, 2021).

B. Costs and Amount to be Securitized

1. Identification and Amount of Uplift Balance

10. The term "Uplift Balance" is defined in PURA, Subchapter N of Chapter 39, to mean an amount of money of not more than \$2.1 billion that that was uplifted to Load-Serving Entities on a load ratio share basis due to energy consumption during the Period of Emergency for ~~RDPA Charges and Ancillary Service~~ Qualifying LSE Costs. The term does not include amounts that were part of the prevailing settlement point price during the Period of Emergency.⁷⁴ ERCOT cannot readily quantify the Uplift Balance attributable to each Load-Serving Entity because ERCOT has no way of identifying which Load-Serving Entities were exposed to Qualifying LSE Costs due to the structure of the wholesale market.⁷⁵ More specifically, ERCOT charges QSEs for ~~RDPA charges and ancillary costs~~ Qualifying LSE Costs, which are then passed on to Load-Serving Entities under the terms of separate agreements with their respective QSE. However, ERCOT is able to provide estimates of the total amounts charged to QSEs.⁷⁶

~~11. Reserved.~~

~~12. Reserved.~~

~~13.~~ 11. Pursuant to PURA § 39.653(b)(3), ERCOT requested that the Commission open a separate compliance proceeding (the "Uplift Balance Proceeding") in which Load-Serving Entities ~~shall have _____ days to~~ may submit appropriate documentation evidencing their exposure to Qualifying LSE Costs, whereupon the Commission will determine the amount of each Load-Serving Entity's allocation of amounts for the recovery of Qualifying LSE Costs, in an aggregate amount not to exceed the Uplift Balance. ~~Within _____ days of the~~

⁷⁴ Tex. Util. Code § 39.652(4)

⁷⁵ ERCOT Ex. 2 (Ogelman Direct) at 24.

⁷⁶ Id.

~~effective date of this Debt Obligation Order, the Commission will enter an order approving the allocation of the Uplift Balance to the qualifying Load-Serving Entities for the recovery of Qualifying LSE Costs (the "Uplift Balance Verification Order"). The Commission determines that this process is reasonable and necessary for purposes of expeditiously ensuring that the Uplift Balance is properly allocated to qualifying Load-Serving Entities for the recovery of Qualifying LSE Costs and should therefore be implemented~~⁷⁷ On July 28, 2021, Staff opened Docket No. 52364 as a proceeding in which Load-Serving Entities may document their exposure to Qualifying LSE Costs and submit their election to opt out. The Commission, by Order Severing Issues dated August 19, 2021, determined that "because it is impossible, practically speaking, to address all matters related to the application in this docket, a separate parallel proceeding, Docket No. 52364, will be used as a repository for documentation both of exposure to costs included in the uplift balance and of opt-outs under PURA § 39.653(d) and verification of amounts in that documentation. To the extent necessary, the Commission severs those matters out of this Docket and into Docket No. 52364."⁷⁸ The Commission also ordered that it "will address in this docket the process for determining exposure to costs included in the uplift balance, including the documentation required; the process for opting out of uplift charges under PURA § 39.653(d), including the documentation required; and the process for allocating bond proceeds if the amount of the total uplift exposure exceeds the statutory cap of \$2.1 billion for the uplift balance."⁷⁹ Upon the conclusion of the submission of the required documentation in Docket No. 52364, the Commission shall issue an order (the "Uplift Balance Verification Order") stating the amount

⁷⁷ ERCOT Ex. 1 at 11-12.

⁷⁸ Docket No. 52322_207, Order Severing Issues, at 1 (August 19, 2021).

⁷⁹ *Id.*

of the Uplift Balance and the amount of each Load-Serving Entity's Qualifying LSE Costs and, if applicable, its pro-rated share of the financing proceeds. .

~~14.12. Pursuant to PURA § 39.653(d), a one-time process must be developed to allow qualifying Load-Serving Entities to opt-out of the Uplift Charges by submit payment in full of all invoices owed for usage during the Period of Emergency. Due to the limited time available in the current proceeding, ERCOT requested that the Commission, as part of the Uplift Balance Proceeding, review and approve requests of Load-Serving Entities seeking to opt-out of the Uplift Charges. The Commission determines that this process is reasonable and necessary for purposes of giving qualifying Load-Serving Entities an opportunity to opt-out of the Uplift Charges, while also ensuring the expeditious and timely implementation of the financing structure described in this Debt Obligation Order, and should therefore be implemented paying Uplift Charges and receiving proceeds of the uplift financing. The Commission finds that the process for opting out, including the documentation required shall be as follows: [INSERT COMMISSION DECISION ON PROCESS AND DOCUMENTS FOR OPTING OUT]~~

13. Intervenor Rayburn Country Electric Cooperative ("Rayburn") requested in its post hearing briefing that if Rayburn is not entitled to receive proceeds of the uplift financing, the Commission find that Rayburn is not subject to or is deemed to have opted out of Uplift Charges.⁸⁰ On September 10, 2021, Brazos Electric Cooperative, Inc. ("Brazos") filed a letter in this proceeding requesting that Brazos "be considered 'opted out' for purposes of this Docket and the resulting financing, with Brazos Electric being allocated neither proceeds nor uplift charges arising from Docket No. 52322."⁸¹ The Commission will consider the Brazos

⁸⁰ Docket No. 52322 250, Rayburn Country Electric Cooperative, Inc.'s Post Hearing Briefing at 1 (Sept. 1, 2021).

⁸¹ Docket No. 52322 288 Brazos Electric Power Cooperative, Inc.'s Letter to ALJ at 1 (Sept. 10, 2021).

letter, and, to the extent necessary, opens the record for the limited purpose of receiving the letter.⁸² The Commission finds that Rayburn and Brazos are not eligible to receive proceeds from the uplift financing and will be deemed to have opted out under PURA § 39.653(d).

14. [INSERT COMMISSION FINDINGS REGARDING “THE PROCESS FOR DETERMINING EXPOSURE TO COSTS TO INCLUDED IN THE UPLIFT BALANCE” (i.e., “netting”), “INCLUDING THE DOCUMENTATION REQUIRED”]

15. [INSERT COMMISSION FINDINGS REGARDING “THE PROCESS FOR ALLOCATING BOND PROCEEDS IF THE AMOUNT OF THE TOTAL UPLIFT EXPOSURE EXCEEDS THE STATUTORY CAP OF \$2.1 BILLION FOR THE UPLIFT BALANCE.”]

2. Upfront Costs and Ongoing Costs

~~15-16.~~ ERCOT has requested authorization to finance and pay for its Upfront Costs from the proceeds of the Subchapter N Bonds in accordance with this Debt Obligation Order. Upfront Costs may include (i) the cost of original issue discount, credit enhancements and other arrangements to enhance marketability; (ii) the cost of ERCOT's financial advisor; (iii) SEC registration fees, underwriters' fees, rating agency fees, and attorneys' fees; (iv) any costs incurred by ERCOT, including costs related to the establishment and maintenance of BondCo(s); (v) any other costs incurred by ERCOT in connection with the implementation of this Debt Obligation Order; and (vi) any costs incurred by ERCOT if this Debt Obligation Order is appealed. The actual Upfront Costs to be paid from the proceeds of the Subchapter N Bonds will not be known until the Subchapter N Bonds are issued. ~~ERCOT supplemented its testimony with an estimate of Upfront Costs expected to be incurred, including both fixed~~

⁸² By allowing the letter, the Commission does not agree with or accept the premise of Brazos's request that “the amounts ERCOT claims are due are within the jurisdiction of the federal Bankruptcy Court.”

~~and variable costs.~~ The form issuance advice letter contains sections for the estimated Upfront Costs to be paid from the proceeds of the Subchapter N Bonds. ERCOT's best estimate of the Upfront Costs associated with the issuance of each series of Subchapter N Bonds is to be specified in the issuance advice letter delivered by ERCOT in connection with the issuance of such series of Subchapter N Bonds. ERCOT will update the amount of such Upfront Costs in the issuance advice letter to reflect more current information available to ERCOT prior to the issuance of the Subchapter N Bonds.

~~16.17.~~ As permitted under Subchapter N, ERCOT has requested authorization to recover reasonable Ongoing Costs of maintaining and servicing Subchapter N Bonds through Uplift Charges, as provided in this Debt Obligation Order. Ongoing Costs are a cost to repay amounts financed under Subchapter N as authorized by this Debt Obligation Order. The actual Ongoing Costs of administering and servicing the Subchapter N Bonds will not be known until the Subchapter N Bonds are issued. ~~ERCOT's testimony has been supplemented to include an estimate of the ongoing administration and servicing costs expected to be incurred, including both fixed and variable costs.~~ The form issuance advice letter contains sections for the estimated Ongoing Costs to be paid from the assessment of Uplift Charges. The amount of such Ongoing Costs will be updated in the issuance advice letter to reflect more current information available to ERCOT prior to the issuance of the Subchapter N Bonds. ERCOT's best estimate of the Ongoing Costs associated with the issuance of each series of Subchapter N Bonds is to be specified in the issuance advice letter delivered by ERCOT in connection with the issuance of such series of Subchapter N Bonds.

~~17.18.~~ The financing of Upfront Costs to be paid from the proceeds of the Subchapter N Bonds, as well as the assessment of Uplift Charges for the payment of Ongoing Costs associated with the Subchapter N Bonds, each as provided in Findings of Fact

Paragraphs ~~15~~16 and ~~16~~17 of this Debt Obligation Order, are reasonable and necessary in connection with the implementation of this Debt Obligation Order and the proposed financing transactions, and should therefore be approved.

3. Amounts to be Securitized

~~18-19.~~ 19. ERCOT has requested authority to securitize Uplift Charges and cause the issuance of Subchapter N Bonds to finance the Securitizable Amount, which consists of (a) the Uplift Balance in an amount of up to \$2.1 billion (to be calculated as described in Findings of Fact Paragraphs ~~12 and 13~~10 through 15 of this Debt Obligation Order), plus (b) the Upfront Costs associated with the issuance of the Subchapter N Bonds (as provided in Findings of Fact Paragraph ~~15~~16 of this Debt Obligation Order).

~~19-20.~~ 20. ERCOT should be authorized to cause Subchapter N Bonds to be issued in an aggregate principal amount not to exceed the Securitizable Amount, subject to the issuance advice letter process described in Findings of Fact Paragraphs ~~20~~21 through ~~25~~26 of this Debt Obligation Order. The issuance of Subchapter N Bonds as provided in this Debt Obligation Order should be approved because the Subchapter N Bonds are needed to support the financial integrity of the wholesale market and is necessary to protect the public interest, after considering the impact on both wholesale market participants and retail customers. Entry of this Debt Obligation Order will allow Load-Servicing Entities who were assessed extraordinary ~~Uplift Charges~~uplift charges due to consumption during the Period of Emergency to pay those charges over a longer period of time, alleviating liquidity issues and reducing the risk of additional defaults in the wholesale market.

4. Issuance Advice Letter

~~20-21.~~ 21. ERCOT will submit a draft issuance advice letter in the form attached to this Debt Obligation Order as Appendix A to the Commission staff for review not later than two weeks

prior to the expected date of the commencement of marketing or sale of each series of Subchapter N Bonds. Within one week after receipt of the draft issuance advice letter, Commission staff shall provide ERCOT comments and recommendations regarding the adequacy of the information provided. Provided however, the Commission staff may elect to expedite their review and provide comments and recommendations to ERCOT more quickly.

~~21-22.~~ 22. Because the actual structure and pricing of the Subchapter N Bonds shall not be known at the time this Debt Obligation Order is issued, following determination of the final terms of the Subchapter N Bonds and prior to issuance of the Subchapter N Bonds, ERCOT will file with the Commission for each series of Subchapter N Bonds issued, and no later than 24 hours after the pricing of that series of Subchapter N Bonds, a final issuance advice letter. The form issuance advice letter contains sections for the estimated Upfront Costs to be paid from the proceeds of the Subchapter N Bonds. Within sixty (60) days of issuance of the Subchapter N Bonds, ERCOT will submit to the Commission a final accounting of the total Upfront Costs with respect to such issuance. The issuance advice letter shall report the actual dollar amount of the initial Uplift Charges and other information specific to the Subchapter N Bonds issued. All amounts that require computation shall be computed using the mathematical formulas contained in the form of the issuance advice letter.

~~22-23.~~ 23. Commission staff may request such revisions of the draft issuance advice letter as may be necessary to ensure that the requirements of PURA and of this Debt Obligation Order have been met. The initial Uplift Charges and the final terms of the Subchapter N Bonds set forth in the issuance advice letter shall become effective on the date of issuance of the Subchapter N Bonds (which shall not occur prior to the fifth business day after pricing) unless prior to noon on the fourth business day after pricing the Commission issues an order

finding that the proposed issuance does not comply with the requirements of PURA or this Debt Obligation Order.

~~23-24.~~ 24. If the actual Upfront Costs payable from the proceeds of the Subchapter N Bonds (as indicated in ERCOT's issuance advice letter) are less than the Upfront Costs included in the amount allocated therefor from the proceeds of the Subchapter N Bonds, the Periodic Billing Requirement, ~~(as defined below, in Findings of Fact Paragraph 59),~~ for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with interest, if any, earned on the investment of such funds). If the actual Upfront Costs payable from the proceeds of the Subchapter N Bonds (as indicated in ERCOT's issuance advice letter) are more than the Upfront Costs included in the amount allocated therefor from the proceeds of the Subchapter N Bonds, the Periodic Billing Requirement for the first semi-annual true-up adjustment shall be increased by the amount necessary for the payment of such excess costs.

~~24-25.~~ 25. The completion and filing of an issuance advice letter in the form ~~of the issuance advice letter~~ attached hereto as Appendix A, including the certification from ERCOT discussed in Ordering Paragraph 7 of this Debt Obligation Order, ~~are~~ is necessary to ensure that any securitization actually undertaken by ERCOT complies with the terms of this Debt Obligation Order.

~~25-26.~~ 26. The certification statement contained in ERCOT's certification letter shall be worded identically to the statement in the form of the issuance advice letter ~~approved by the Commission~~ attached hereto as Appendix A. Other aspects of the certification letter may be modified to describe the particulars of the Subchapter N Bonds and the actions that were taken during the transaction.

C. Structure of the Proposed Financing

5. BondCo.

~~26-27.~~ For purposes of this securitization, ERCOT shall create one or more special purpose funding entities (each of which is referred to as "BondCo"), which shall be a Delaware limited liability company with ERCOT as its sole member. BondCo shall be formed for the limited purpose of (a) imposing, collecting and receiving Uplift Charges and acquiring Uplift Property and related assets to support its obligations under the Subchapter N Bonds, (b) issuing Subchapter N Bonds in one or more ~~tranches~~ series, and (c) performing other activities relating thereto or otherwise authorized by this Debt Obligation Order. BondCo shall not be permitted to engage in any other activities and shall have no assets other than as contemplated in this Debt Obligation Order and related assets to support its obligations under the Subchapter N Bonds. Obligations relating to the Subchapter N Bonds shall be BondCo's only significant liabilities.

~~27-28.~~ If ERCOT determines it to be necessary to achieve the lowest overall Uplift Charges consistent with market conditions, ERCOT may elect to cause BondCo to be organized and managed in a manner designed to achieve the objective of maintaining BondCo as a bankruptcy-remote entity that would not be affected by the bankruptcy of ERCOT or any other affiliates of ERCOT or any of their respective successors. ERCOT may also elect to cause BondCo to have at least one independent manager whose approval will be required for certain major actions or organizational changes by BondCo. BondCo may also be restricted from amending the provisions of the organizational documents that relate to bankruptcy-remoteness of BondCo without the consent of the independent manager. Similarly, BondCo may also be restricted from instituting bankruptcy or insolvency proceedings or from consenting to the institution of bankruptcy or insolvency proceedings against it, or to

dissolve, liquidate, consolidate, convert, or merge without the consent of the independent manager. Other restrictions to facilitate bankruptcy-remoteness may also be included in the organizational documents of BondCo, as applicable under rating agency ~~consideration~~considerations. The initial capital of BondCo shall be a nominal amount of \$100. However, if necessary to maintain status as a bankruptcy remote entity or to preserve ERCOT's status as an exempt 501(c)(4) organization under applicable federal tax and securities laws with respect to any issuance of Subchapter N Bonds, then as a condition to such issuance, BondCo shall secure the minimum capital as may be required in accordance with such laws and regulations then in effect. As a condition to accepting any issuance advice letter relating to any issuance of Subchapter N Bonds in a public or private offering, the Commission may require such documentation, opinions, or other ~~assurance~~assurances as may be reasonably necessary to ensure that the applicable capitalization requirements have been met.

~~28-29.~~ ~~Concurrent~~Concurrently with the issuance of any of the Subchapter N Bonds, ERCOT shall transfer and assign to BondCo all of ERCOT's rights under this Debt Obligation Order related to the amount of Subchapter N Bonds to be issued by BondCo, including rights to impose, collect, and receive Uplift Charges approved in this Debt Obligation Order. Such rights shall constitute a present property right for purposes of contracts concerning the sale or pledge of property, and shall become "Uplift Property" concurrently with the sale or assignment to BondCo as provided in PURA § 39.662. By virtue of the transfer, BondCo shall acquire all of the right, title, and interest of ERCOT in the Uplift Property arising under this Debt Obligation Order that is related to the amount of Subchapter N Bonds issued by BondCo.

~~29.~~30. BondCo shall issue one or more series of Subchapter N Bonds consisting of one or more tranches. BondCo shall pledge to the Indenture Trustee, as collateral for payment of the Subchapter N Bonds, the Uplift Property, including BondCo's right to receive the Uplift Charges as and when collected, and certain other collateral described in ERCOT's application.

~~30.~~31. The use and proposed structure of BondCo and the limitations related to its organization and management are necessary to minimize risks related to the proposed financing transactions and to minimize the Uplift Charges. Therefore, the use and proposed structure of BondCo should be approved.

6. Credit Enhancement and Arrangements to Enhance Marketability

~~31.~~32. ERCOT requested approval to use additional forms of credit enhancement (including letters of credit, reserve accounts, surety bonds, or guarantees) and other mechanisms designed to promote the credit quality and marketability of the Subchapter N Bonds if the benefits of such arrangements exceed their cost. ERCOT also asked that the costs of any credit enhancements as well as the costs of arrangements to enhance marketability be included in the amount of Upfront Costs to be securitized. If the use of original issue discount, credit enhancements, or other arrangements is proposed by ERCOT, ERCOT shall provide the Commission's designated representative copies of all cost/benefit analyses performed by or for ERCOT that support the request to use such arrangements. This finding does not apply to the collection account or its subaccounts approved in this Debt Obligation Order, and/or described in the final issuance advice letter.

~~32.~~33. ERCOT's proposed use of credit enhancements and arrangements to enhance marketability is customary and should be approved, provided that ERCOT certifies that the

enhancements or arrangements provide benefits greater than their cost and that such certifications are agreed to by the Commission's designated representative.

7. Uplift Property

~~33.~~34. Under PURA § 39.662(a), the rights and ~~interest~~interests of ERCOT or its successor under this Debt Obligation Order, including the right to impose, collect, and receive the Uplift Charges authorized in this Debt Obligation Order, are only contract rights until they are first transferred to an assignee or pledged in connection with the issuance of Subchapter N Bonds, at which time they shall become Uplift Property.

~~34.~~35. The rights to impose, collect, and receive the Uplift Charges approved in this Debt Obligation Order along with the other rights arising pursuant to this Debt Obligation Order shall become Uplift Property upon the transfer of such rights by ERCOT to BondCo pursuant to PURA § 39.662(a). If Subchapter N Bonds are issued in more than one series, then the Uplift Property transferred as a result of each issuance shall be only those rights associated with that portion of the Uplift Property securitized by such issuance. The rights to impose, collect and receive Uplift Charges along with the other rights arising pursuant to this Debt Obligation Order as they relate to any portion of the total amount authorized to be securitized that remains unsecuritized shall remain with ERCOT and shall not become Uplift Property unless and until transferred to a BondCo in connection with a subsequent issuance of Subchapter N Bonds.

~~35.~~36. Under PURA § 39.662(b), Uplift Property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of Uplift Charges depends on further acts of ERCOT or others that have not yet occurred.

~~36~~37. _____ Uplift Property and all other collateral will be held and administered by the Indenture Trustee pursuant to the indenture, as described in ERCOT's application. This structure is customary for securitized debt and pledged collateral, and will help to ensure that the lowest Uplift Charges will be achieved, and should therefore be approved.

8. Servicer and Servicing Agreement

~~37~~38. _____ ERCOT shall execute a servicing agreement with BondCo. The servicing agreement may be amended, renewed or replaced by another servicing agreement. The entity responsible for carrying out the servicing obligations under any servicing agreement is the servicer. ERCOT shall be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement and as authorized by the Commission pursuant to this Debt Obligation Order. The replacement servicer should not begin providing service until the date the Commission approves the appointment and the servicing fee of such replacement servicer. Pursuant to the servicing agreement, the servicer is required, among other things, to impose and collect the applicable Uplift Charges for the benefit and account of BondCo, to make the periodic true-up adjustments of Uplift Charges required or allowed by this Debt Obligation Order, and to account for and remit the applicable Uplift Charges to or for the account of BondCo in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material respect, the Indenture Trustee acting under the indenture to be entered into in connection with the issuance of the Subchapter N Bonds, or the Indenture Trustee's designee, may, or, upon the instruction of the requisite percentage of holders of the outstanding amount of Subchapter N Bonds, shall appoint an alternate party to replace the defaulting servicer, in

which case the replacement servicer shall perform the obligations of the servicer under the servicing agreement. The obligations of the servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed ~~are~~will be more fully described in the servicing agreement. The rights of BondCo under the servicing agreement shall be included in the collateral pledged to the Indenture Trustee under the indenture for the benefit of holders of the Subchapter N Bonds.

~~38.~~39. The servicing agreement negotiated as part of ~~this~~any financing under this Debt Obligation Order shall contain a recital clause that the Commission, or its attorney, shall enforce the servicing agreement for the benefit of Texas wholesale market participants or their customers to the extent permitted by law.

~~39.~~40. The servicing agreement negotiated as part of this securitization shall include a provision that ERCOT shall indemnify the Commission in connection with any increase in servicing fees that become payable as a result of a default resulting from ERCOT's willful misconduct, bad faith or negligence in performance of its duties or observance of its covenants under the servicing agreement. The indemnity shall be enforced by the Commission but shall not be enforceable by any wholesale market participant.

~~40.~~41. The obligations to continue to provide service and to collect and account for Uplift Charges shall be binding upon ERCOT and its successors. The Uplift Charges must be assessed on all Load-Serving Entities (except as provided in PURA §§ 39.653(~~fc~~)and (d) and 39.151(j-1)), including (1) wholesale market participants who are in default but still participating in the wholesale market, and (2) wholesale market participants who enter the market after this Debt Obligation Order is issued. In addition, the Uplift Charges may be based on periodically updated transaction data to prevent wholesale market participants from engaging in behavior designed to avoid the Uplift Charges. The Commission shall enforce

the obligations imposed by this Debt Obligation Order, its applicable substantive rules, and statutory provisions.

~~41.42.~~ 4041. The servicing arrangements described in Findings of Fact Paragraphs ~~3738~~ through 4041 of this Debt Obligation Order are reasonable, will reduce risk associated with the proposed financing and will, therefore, result in lower Uplift Charges and will help to support the financial integrity of the wholesale market and ~~is~~are necessary to protect the public interest and should be approved.

9. Subchapter N Bonds

~~42.43.~~ BondCo shall issue and sell Subchapter N Bonds in one or more series, and each series may be issued in one or more tranches. The legal final maturity date of any series of Subchapter N Bonds shall not exceed thirty (30) years from the date of issuance of the first series of Subchapter N Bonds. The legal final maturity date of each series and tranche within a series and amounts in each series shall be finally determined by ERCOT and the Commission's designated representative, consistent with market conditions, at the time the Subchapter N Bonds are priced, but subject to ultimate Commission review through the issuance advice letter process. ERCOT shall retain sole discretion regarding whether or when to assign, sell, or otherwise transfer any rights concerning Uplift Property arising under this Debt Obligation Order, or to cause the issuance of any Subchapter N Bonds authorized in this Debt Obligation Order, subject to the right of the Commission to find that the proposed issuance does not comply with the requirements of PURA and this Debt Obligation Order. BondCo shall issue the Subchapter N Bonds on or after the fifth business day after pricing of the Subchapter N Bonds unless, prior to noon on the fourth business day following pricing of the bonds, the Commission issues an order finding that the proposed issuance does not comply with the requirements of PURA and this Debt Obligation Order.

~~43.44.~~_____ The Commission finds that the proposed structure—providing substantially level annual debt service and revenue requirements over the expected life of the Subchapter N Bonds—is in the public interest and should be used. This structure is reasonable and should be approved, provided that the issuance advice letter demonstrates that all of the statutory requirements are met.

10. Security for the Subchapter N Bonds

~~44.45.~~_____ The payment of the Subchapter N Bonds and related charges authorized by this Debt Obligation Order is to be secured solely by Uplift Charges explicitly assessed to repay the Subchapter N Bonds and other collateral as described in the application. Each series of the Subchapter N Bonds shall be issued pursuant to an Indenture administered by the Indenture Trustee. The Indenture shall include provision for a collection account for the series and subaccounts for the collection and administration of the Uplift Charges and payment or funding of the principal and interest on the Subchapter N Bonds and other costs, including ongoing fees and expenses, in connection with the Subchapter N Bonds; subject, however, to the limitations set forth in Ordering Paragraph 22 of this Debt Obligation Order. Pursuant to the Indenture, BondCo shall establish a collection account as a trust account to be held by the Indenture Trustee as collateral to ensure the payment of the principal, interest, and other costs approved in this Debt Obligation Order related to the Subchapter N Bonds in full and on a timely basis. The collection account shall include a general subaccount, a capital subaccount, and an excess funds subaccount, and may include other subaccounts.

(a) The General Subaccount

~~45.46.~~_____ The Indenture Trustee shall deposit the Uplift Charge remittances that the servicer remits to the Indenture Trustee for the account of BondCo into one or more segregated trust accounts and allocate the amount of those remittances to the general subaccount. The

Indenture Trustee shall on a periodic basis apply moneys in this subaccount to pay expenses of BondCo, to pay principal and interest on the Subchapter N Bonds, and to meet the funding requirements of the other subaccounts. The funds in the general subaccount shall be invested by the Indenture Trustee in short-term high-quality investments, and such funds (including, to the extent necessary, investment earnings) shall be applied by the Indenture Trustee to pay principal and interest on the Subchapter N Bonds and all other components of the Periodic Payment Requirement ("PPR") (as defined in Findings of Fact Paragraph ~~57~~58 of this Debt Obligation or as otherwise in accordance with the terms of the Indenture).

(b) The Capital Subaccount

~~46-47.~~ 47. If in connection with the issuance of any series of Subchapter N ~~Bond~~Bonds, ERCOT determines it to be necessary to establish capital reserves to achieve the lowest overall financing cost, ERCOT may make a capital contribution to BondCo for that series, which BondCo shall deposit into the capital subaccount. The amount of the capital contribution is expected to be not less than the required percentage of the original principal amount of each series of Subchapter N Bonds, as determined pursuant to applicable tax and securities laws and regulations, as well as applicable rating agency considerations. The capital subaccount shall serve as collateral to ensure timely payment of principal and interest on the Subchapter N Bonds and all other components of the PPR. Any funds drawn from the capital account to pay these amounts due to a shortfall in the Uplift Charge remittances shall be replenished through future Uplift Charge remittances. The funds in this subaccount shall be invested by the Indenture Trustee in short-term high-quality investments, and such funds (including investment earnings) shall be used by the Indenture Trustee to pay principal and interest on the Subchapter N Bonds and all other components of the PPR. Upon payment of the principal amount of all Subchapter N Bonds and the discharge of all obligations that may

be paid by use of Uplift Charges, all amounts in the capital subaccount, including any investment earnings, shall be released to BondCo for further remittance to ERCOT. Investment earnings in this subaccount may be released earlier in accordance with the Indenture.

~~47.~~48. The capital contribution to BondCo will be funded by ERCOT in an amount upfront and also over time, if beneficial for the debt treatment of the transaction for federal tax purposes. To ensure that wholesale market participants receive the appropriate benefit from the securitization approved in this Debt Obligation Order, the proceeds from the sale of the Subchapter N Bonds should not be applied towards this capital contribution. Because ERCOT funds the capital subaccount, ERCOT should receive the investment earnings earned through the Indenture Trustee's investment of that capital from time to time. Upon payment of the principal amount of all Subchapter N Bonds and the discharge of all obligations that may be paid by use of Uplift Charges, all amounts in the capital subaccount, including any investment earnings, shall be released to BondCo for payment to ERCOT. Investment earnings in this subaccount may be released earlier in accordance with the terms of the Indenture.

(c) The Excess Funds Subaccount

~~48.~~49. The excess funds subaccount shall hold any Uplift Charge remittances and investment earnings on the collection account (other than earnings attributable to the capital subaccount and released under the terms of the indenture) in excess of the amounts needed to pay current principal and interest on the Subchapter N Bonds and to pay other PPRs (including, but not limited to, replenishing the capital subaccount). Any balance in or allocated to the excess funds subaccount on a true-up adjustment date shall be subtracted from the Periodic Billing Requirement, ~~("PBR") (as defined in Findings of Fact~~

~~Paragraph 58~~) for purposes of the true-up adjustment. The money in this subaccount shall be invested by the Indenture Trustee in short-term high-quality, investments, and such money (including investment earnings thereon) shall be used by the Indenture Trustee to pay principal and interest on the Subchapter N Bonds and other PPRs.

(d) Other Subaccounts

~~49.50.~~ Other credit enhancements in the form of subaccounts may be utilized for any issuance of Subchapter N Bonds. For example, ERCOT does not propose use of an over-collateralization subaccount. If ERCOT subsequently determines, however, that use of an over-collateralization subaccount or other subaccount are necessary to obtain the highest possible ratings or shall otherwise increase the benefits of the securitization, ERCOT may implement such subaccounts in order to reduce Subchapter N Bonds charges.

11. General Provisions

~~50.51.~~ The collection account and the subaccounts described above are intended to provide for full and timely payment of scheduled principal and interest on the Subchapter N Bonds and all other components of the PPR. If the amount of Uplift Charges remitted to the general subaccount is insufficient to make all scheduled payments of principal and interest on the Subchapter N Bonds and to make payment on all of the other components of the PPR, the excess funds subaccount and the capital subaccount shall be drawn down, in that order, to make those payments. Any deficiency in the capital subaccount because of such withdrawals must be replenished to the capital subaccount on a periodic basis through the true-up process. In addition to the foregoing, there may be such additional accounts and subaccounts as are necessary to segregate amounts received from various sources (*e.g.*, amounts received from wholesale market participants), or to be used for specified purposes. Such accounts shall be administered and utilized as set forth in the servicing agreement and the indenture. Upon the

maturity of the Subchapter N Bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account, other than amounts that were in the capital subaccount, shall be released to BondCo and equivalent amounts shall be credited by ERCOT to Load-Serving Entities consistent with Ordering Paragraph 23 of this Debt Obligation Order.

~~51.~~52. The use of a collection account and its subaccounts in the manner proposed by ERCOT is reasonable and customary, will lower risks associated with the financing and will in turn help to ensure that the lowest Uplift Charges under Subchapter N will be achieved, and should, therefore, be approved.

12. Uplift Charges – Allocation, Collection, Nonbypassability

~~52.~~53. ERCOT seeks authorization to allocate and collect from QSEs representing Load-Serving Entities within the ERCOT wholesale market, in the manner provided in this Debt Obligation Order, Uplift Charges in an amount sufficient to ~~provide for the timely recovery of the Uplift Balance~~ 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 Subchapter N Bonds approved in this Debt Obligation Order. Pursuant to PURA § 39.657, Uplift Charges shall be sufficient to ensure ~~that the expected~~ recovery of amounts ~~sufficient~~ necessary to timely provide all payments of debt service and other required amounts and charges in connection with the Subchapter N Bonds. The Commission also finds that it is necessary and appropriate for ERCOT to recover the Ongoing Costs associated with administering Subchapter N Bonds through Uplift Charges, as those administrative costs are a cost to repay amounts financed under Subchapter N. Ongoing servicing and administration costs are necessary and unavoidable costs of financing the Subchapter N

Bonds under PURA. The payment of ongoing costs from Uplift Charges is needed to ensure that the necessary costs to service the Subchapter N Bonds will be covered.

~~53.~~54. The Subchapter N Bonds may have a scheduled final payment date of not more than thirty (30) years from the date of the first issuance of Subchapter N Bonds ~~by ERCOT~~. However, amounts may still need to be recovered after the final payment date. PURA § 39.653(b) prohibits the assessment of Uplift Charges for a period of time that exceeds thirty (30) years from the date of the first issuance of Subchapter N Bonds. This restriction does not, however, prevent the recovery of amounts due at the end of such 30-year period for charges assessed during such 30-year period. The initial Uplift Charges will be implemented no sooner than the first month following the initial issuance of the Subchapter N Bonds.

~~54.~~55. Pursuant to PURA § 39.653(c), Uplift Charges will be assessed to all QSEs that represent Load-Serving Entities on a load ratio share basis, including the load of Load-Serving Entities entering the market after the implementation of this Debt Obligation Order, but excluding the load of Load-Serving Entities who have qualified to opt-out pursuant to the one-time opt-out procedure described in Findings of Fact Paragraphs ~~44~~12 and 13 of this Debt Obligation Order. Load-Serving Entities who have not opted out are referred to herein as ("Obligated LSEs").

~~55.~~56. ERCOT has proposed to create a new daily settlement invoice for Uplift Charges. Uplift Charges will be assessed and collected in accordance with the billing and collection standards for wholesale market participants as set forth in the ERCOT protocols, as the same may be modified from time to time. ERCOT shall develop and adopt new Protocol provisions governing the assessment and collection of Uplift Charges.

~~56.~~57. ERCOT, acting as servicer, and any subsequent servicer, will assess Uplift Charges to each QSE that represents one or more Obligated LSEs based on the load ratio share of the

Obligated LSEs represented by the QSE, as required by PURA § 39.653(c). Because the load ratio share of individual Obligated LSEs will change daily based upon actual load and Obligated LSEs enter and exit the market from time to time, ERCOT has proposed that the load ratio share used to assess Uplift Charges to QSEs be updated on a daily basis based upon on the actual load. The precise methodology to be utilized by ERCOT, or any subsequent servicing entity for the assessment of Uplift Charges is set forth below (the "Uplift Charges Assessment Methodology"):

- (a) ERCOT (or any subsequent servicing entity) will determine the PBR that must be billed for any given period (as described in Findings of Fact Paragraph ~~58~~59 of this Debt Obligation Order). The PBR will be updated at least annually, and on an interim basis from time to time in accordance with the true-up procedures described in this Debt Obligation Order.
- (b) ERCOT (or any subsequent servicing entity) will amortize the PBR ~~monthly~~daily for the given period (the "Monthly Daily Amortization Amount").
- (c) ERCOT (or any subsequent servicing entity) will assess the ~~Monthly Daily~~ Amortization Amount to each QSE as a daily charge, based upon the ~~previous day's~~initial settlement data for the load ratio share of each Obligated LSE represented by the QSE.

~~57.58.~~ 58. The Periodic Payment Requirement ("PPR") is the required periodic payment for a given period (i.e., annually, semi-annually, or quarterly) due under the Subchapter N Bonds. Each PPR includes: (a) the principal amortization of the Subchapter N Bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the Subchapter N Bonds (including any accrued and unpaid interest); and (c) Ongoing Costs consisting of the servicing fee, rating

agencies' fees, trustee fees, legal and accounting fees, and other ongoing fees and expenses.

The initial PPR for the Subchapter N Bonds issued pursuant to this Debt Obligation Order should be updated in the issuance advice letter.

~~58.~~59. The "Periodic Billing Requirement" (or "PBR") represents the aggregate dollar amount of Uplift Charges that must be billed during a given period (i.e., annually, semi-annually, or quarterly) so that the Uplift Charge collections shall be sufficient to meet the sum of all PPR for that period, and also taking into account: (i) forecast usage data for the period; (ii) forecast uncollectibles for the period; (iii) forecast lags in collection of billed Uplift Charges for the period; and (iv) Total Potential Exposure.

~~59.~~60. ERCOT will require each QSE representing one or more Obligated ~~LSE~~LSEs to post collateral equal to four (4) months of its projected Uplift Charges. If ~~the~~an Obligated LSE exits the market prior to the amortization of the Uplift Balance debt, ERCOT will retain the collateral held for the QSE that represents that Obligated LSE to the extent necessary to account for unpaid Uplift Charges. If any QSE representing the interests of any Obligated LSE defaults on or disputes the payment of any Uplift Charges, then ERCOT (or any subsequent holder of the Uplift Property) shall be entitled to exercise any remedies and take any action in accordance with PURA, Commission Substantive Rules, a Commission Order, or the ERCOT protocols then in effect.

~~60.~~61. The billing and collection standards, Uplift Charges Assessment Methodology, remedies, and other procedures described in Findings of Fact Paragraphs ~~52~~53 through ~~59~~60 of this Debt Obligation Order are appropriate, are reasonable for the assessment and collection of Uplift Charges sufficient to support the timely payment of principal and interest on the Subchapter N Bonds and any other amounts due in connection with the Subchapter N Bonds, will lower risks associated with the collection of Uplift Charges, will result in lower

Subchapter N Bonds charges, will support the financial integrity of the wholesale market, and are necessary to protect the public interest.

13. Mandatory True-Up of Uplift Charges

~~61.62.~~ Pursuant to PURA § 39.657, the Uplift Charges will be adjusted at least annually, to:

- (a) correct any under-collections or over-collections during the preceding twelve (12) months; and
- (b) ensure the expected recovery of amounts sufficient to timely provide all payments of principal and interest (or deposits to sinking funds in respect of principal and interest) on the Subchapter N Bonds and any other amounts due in connection with the Subchapter N Bonds (including ongoing fees and expenses and amounts required to be deposited in or allocated to any collection account or subaccount, trustee indemnities, payments due in connection with any expenses incurred by the Indenture Trustee or the servicer to enforce bondholder rights and other payments that may be required pursuant to the waterfall payments set forth in the indenture) during the period for which such Uplift Charges are to be in effect.

~~62.63.~~ With respect to any series of Subchapter N Bonds, the Annual True-Up of Uplift Charges will be calculated pursuant to the standard true-up procedure described in Findings of Fact Paragraph ~~67~~68 of this Debt Obligation Order (the "Standard True-Up Procedure"). The servicer shall make adjustment filings related to the Annual True-Up with the Commission within forty-five (45) days of the anniversary of the date of the original issuance of the Subchapter N Bonds of that series.

~~63.64.~~ Six (6) months following the closing of any series of Subchapter N Bonds, the servicer will be required to provide a six-month true-up calculation (the "Six Month Calculation"). If the Six Month 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 initial Annual True-Up Period.

64-65. The servicer will be required to provide a quarterly or semi-annual interim true-up calculation (the "Interim Calculation") until the scheduled maturity of the Subchapter N Bonds. If an Interim Calculation projects under-collections ~~or over-collections~~ of Uplift Charges, then 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.

65-66. The servicer is required to provide a quarterly true-up calculation (the "Quarterly Calculation") beginning twelve (12) months prior to the scheduled maturity of the bonds and continuing every three (3) months until maturity. If a Quarterly Calculation projects under-collections ~~or over-collections~~ of Uplift Charges, the servicer shall implement a true-up adjustment in accordance with the Standard True-Up Procedure for the remainder of the Annual True-Up Period.

66-67. Because a fixed amount of Uplift Charges will be allocated each day to the QSEs representing the interests of Obligated LSEs on a load ratio share basis, the collection of 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 the volume of load. Nevertheless, ERCOT has recommended the adoption of true-up adjustments based upon cumulative differences, regardless of the reason, between the 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 consider, among other things, the following:

- (1) Any increases or decreases in the PPR, including any unanticipated Ongoing Costs relating 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 under this 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 under this Debt Obligation Order.

~~67~~68. For each of the true-up calculations described in Findings of Fact Paragraphs ~~62~~63 through ~~65~~66 of this Debt Obligation Order, the servicer will make true-up adjustments in the following manner, known as the "Standard True-Up Procedure":

(1) With respect to the upcoming Annual True-Up ~~Period~~period described:

- (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 PBR determined for the same period;
- (b) estimate any anticipated under-collections or over-~~collection~~collections for the upcoming Annual True-Up period, taking into account the considerations described in Findings of Fact Paragraph ~~66~~69 of this 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-collection and under-collection amounts described in steps (a) and (b) above and calculate the ~~Monthly~~Daily Amortization Amount for the PBR; and
- (d) assess the updated ~~Monthly~~Daily Amortization Amount to each QSE in accordance with the Uplift Charges Assessment Methodology.

(2) With respect to any standard interim True-Up ~~Period~~period (as described in Findings of Fact Paragraphs ~~63~~64 through ~~65~~66 of this Debt Obligation Order):

- (a) calculate under-collections or over-collections for the interim period by subtracting the interim period's Uplift Charges revenues collected from the PBR determined for the same period;
- (b) estimate any anticipated under-collections or over-collections for remaining interim period, taking into account the considerations described in Findings of Fact Paragraph ~~66~~67 of this Debt Obligation Order;
- (c) calculate the PBR for the remaining interim period, taking into account the total amount of prior and anticipated under-collection amounts described in steps (a) and (b) above and calculate the ~~Monthly~~Daily Amortization Amount for the PBR; and
- (d) assess the updated ~~Monthly~~Daily Amortization Amount to each QSE in accordance with the Uplift Charges Assessment Methodology, with the foregoing subject to the procedures described in the final issuance advice letter.

14. Optional Interim True-Up of Uplift Charges

~~68-69.~~ In addition to the foregoing regular true-up adjustments, interim optional true-up adjustments may be made by the servicer more frequently at any time during the term of the Subchapter N Bonds to correct any projected under-collection or over-collection, as provided in this Debt Obligation Order, in order to assure timely payment of Subchapter N Bonds based on rating agency and bondholder considerations. Further, the servicer shall make mandatory interim true-up adjustments on a more frequent basis as needed:

- (a) if the servicer forecasts that the Uplift Charge collections shall be insufficient to make all scheduled payments of principal, interest, and other amounts in respect of

the Subchapter N Bonds on a timely basis during the current or next succeeding payment period; and/or

(b) to replenish any draws upon the capital subaccount.

~~69.70.~~ In the event of an optional true-up, the interim true-up adjustment shall be filed not less than fifteen (15) days prior to the first billing cycle of the month in which the revised ~~Monthly~~Daily Amortization Amount shall be in effect.

15. Additional True-Up Provisions

~~70.71.~~ The true-up adjustment filing shall set forth the servicer's calculation of the true-up adjustment to the Uplift Charges. The Commission shall have fifteen (15) days after the date of a true-up adjustment filing in which to confirm the servicer's adjustment complies with PURA and this Debt Obligation Order. Any true-up adjustment filed with the Commission should be effective on its proposed effective date, which shall be not less than fifteen (15) days after filing. Any necessary corrections to the true-up adjustment shall be made in future true-up adjustment filings. Any interim true-up may take into account the PPR for the next succeeding twelve (12) months if required by the servicing agreement.

~~71.72.~~ The true-up procedures contained in Findings of Fact Paragraphs ~~64~~62 through ~~70~~71 of this Debt Obligation Order are reasonable to ensure that the collection of Uplift Charges arising from the Uplift Property will be sufficient to timely pay principal and interest on the Subchapter N Bonds and any other amounts due in connection with the Subchapter N Bonds, will lower risks associated with the collection of Uplift Charges, and will result in lower Subchapter N Bonds charges and to support the financial integrity of the wholesale market and is necessary to protect the public interest.

16. Designated Representative

~~72~~73. ____ In order to ensure, as required by PURA § 39.651, that the structuring and pricing of the Subchapter N Bonds result in the lowest Uplift Charges consistent with market conditions and the terms of this Debt Obligation Order, the Commission finds that it is necessary for the Commission or its designated representative to have a decision-making role co-equal with ERCOT with respect to the structuring and pricing of the Subchapter N Bonds and that all matters related to the structuring and pricing of the Subchapter N Bonds shall be determined through a joint decision of ERCOT and the Commission or its designated representative. The Commission's primary goal is to ensure that the structuring and pricing of the Subchapter N Bonds result in a balance between obtaining the lowest Uplift Charges and expediting the funding of the Uplift Balance consistent with market conditions and the terms of this Debt Obligation Order.

~~73~~74. ____ The Commission or its designated representative must have an opportunity to participate fully and in advance in all plans and decisions relating to the structuring, marketing, and pricing of the Subchapter N Bonds and must be provided timely information as necessary to allow it to participate in a timely manner (including, but not limited to, information prepared for the benefit of rating agencies and information prepared for use in marketing the Subchapter N Bonds to investors).

~~74~~75. ____ The Commission or its designated representative may require a certificate from any underwriter(s) confirming that the structuring, marketing, and pricing of the Subchapter N Bonds resulted in the lowest Uplift Charges consistent with market conditions, the marketing plan, and the terms of this Debt Obligation Order.

~~75~~76. ____ ERCOT stated that it expected the following transaction documents to be executed in connection with each series of Subchapter N Bonds issued pursuant to this Debt

Obligation Order: Administration Agreement, Indenture, Limited Liability Company Agreement, Uplift Property Servicing Agreement, and Uplift Property Purchase and Sale Agreement. The Commission's designated representative shall be afforded an opportunity to review and comment on these documents before they are finalized, and the final versions shall be consistent with this Debt Obligation Order.

17. Lowest Uplift Charges

~~76-77.~~ 77. The statutory requirement in PURA § 39.651(e) directs the Commission to ensure that the structuring and pricing of financings issued under Subchapter N result in the lowest Uplift Charges consistent with market conditions and the terms of this Debt Obligation Order.⁸³ Pursuant to PURA § 39.651(c), the financing ~~must achieve~~ achieves the goal of ~~preserving~~ stabilizing the financial integrity of the wholesale electric market, which is to be balanced against achieving the lowest Uplift Charges. Financing the Uplift Balance in this manner will ~~allow~~ support the financial integrity of the wholesale market and is necessary to protect the public interest, considering the impacts on both wholesale market participants ~~to be paid in a more timely manner and retail customers,~~ in accordance with PURA § 39.653(~~ba~~). In making this determination, any present value calculation (if any), the must use a discount rate used must be equal to the proposed interest rate on the financings.⁸⁴ The Commission finds that the financing structure contemplated in this Debt Obligation Order, including the securitization of Uplift Charges and the initial issuance of Subchapter N Bonds, will result in the lowest Uplift Charges consistent with market conditions.

~~77-78.~~ 78. ERCOT has proposed a transaction structure that is expected to include (but is not limited to):

⁸³ Tex. Util. Code § 39.653(a)

⁸⁴ Tex. Util. Code § 39.651(e)

- (a) the use of BondCo as issuer of the Subchapter N Bonds, limiting the risks to Subchapter N Bonds holders of any adverse impact resulting from a bankruptcy proceeding of its parent or any affiliate;
- (b) the right to impose and collect Uplift Charges that are nonbypassable and which must be trued-up at least annually, but may be required to be trued-up more frequently under certain circumstances, in order to assure the timely payment of the debt service and other Ongoing Costs;
- (c) if and to the extent that BondCo, in order to maintain status as a bankruptcy remote entity or to preserve ERCOT's status as an exempt 501(c)(4) organization under applicable federal tax and securities laws with respect to any issuance of Subchapter N Bonds, then as a condition to such issuance, BondCo shall secure the minimum capital as may be required in accordance with such laws and regulations then in effect;
- (d) benefits for federal income tax purposes including: (i) the transfer of the rights under this Debt Obligation Order to BondCo not resulting in gross income to ERCOT and the future revenues under the Uplift Charges being included in ERCOT gross income under its usual method of accounting, (ii) the issuance of the Subchapter N Bonds and the transfer of the proceeds of the Subchapter N Bonds to ERCOT not resulting in gross income to ERCOT, and (iii) the Subchapter N Bonds constituting obligations of ERCOT;
- (e) other features to meet requirements to obtain debt treatment for federal tax purposes and also to satisfy the requirements of applicable securities laws and regulations;
- (f) the Subchapter N Bonds shall be marketed using proven underwriting and marketing processes, through which market conditions and investors' preferences, with regard

to the timing of the issuance, the terms and conditions, related maturities, and other aspects of the structuring and pricing shall be determined, evaluated and factored into the structuring and pricing of the Subchapter N Bonds; and

(g) furnishing timely information to the Commission's designated representative to allow the Commission through the issuance advice letter process to ensure that the structuring and pricing of the Subchapter N Bonds result in the lowest Uplift Charges consistent with market conditions and the terms of this Debt Obligation Order.

~~78-79.~~ ERCOT's proposed transaction structure is necessary to ensure that the structuring and pricing of the Subchapter N Bonds shall result in the lowest Uplift Charges consistent with market conditions, and the terms of this Debt Obligation Order, and ensures the preservation of the financial integrity of the wholesale market and is necessary to protect the public interest.

18. Personal Liability

~~79-80.~~ The Subchapter N Bonds authorized to be issued pursuant to this Debt Obligation Order and PURA § 39.653 will be a nonrecourse debt secured solely by the Uplift Property created by this Debt Obligation Order (including the Uplift Charges explicitly assessed to repay the Subchapter N Bonds), and the Subchapter N Bonds will not create a personal liability for ERCOT.

D. Use of Net Proceeds

~~80-81.~~ Prior to issuing the initial series of Subchapter N Bonds, the Uplift Balance must be determined after the Commission issues the Uplift Balance Verification Order as described in Findings of Fact ~~Paragraphs 13 and 14~~ Paragraph 11 of this Debt Obligation Order. Upon issuing the Subchapter N Bonds, BondCo will transfer the net proceeds from the sale of the Subchapter N Bonds to ERCOT to be remitted to QSEs representing one or more Load-

Serving Entities for the recovery of Qualifying LSE Costs, as determined by the Commission pursuant to the process described in Findings of Fact Paragraph ~~43~~11 of this Debt Obligation Order.

~~81~~82. Each QSE that receives proceeds from ERCOT for the recovery Qualifying LSE Costs will be obligated to remit such amounts to each Load-Serving Entity whom it represents in the amounts approved by the Commission. Each Load-Serving Entity that receives proceeds from the Subchapter N Bonds will be required to use the proceeds solely to fulfill payment obligations directly related to Qualifying LSE Costs and refunding Qualifying LSE Costs to retail customers who have paid or otherwise would be obligated to pay such costs. Any Load-Serving Entity that receives any portion of the net proceeds of Subchapter N Bonds that exceed the entity's actual Qualifying LSE Costs will be required to immediately notify ERCOT and remit any Excess Receipts back to ERCOT. Any Excess Receipts received by ERCOT must be credited against the Uplift Balance to reduce the remaining Uplift Charges.

~~82~~83. Each of BondCo, ERCOT and the QSEs will be entitled to conclusively rely upon the amounts approved by the Commission for remittance to Load-Serving Entities for the recovery of Qualifying LSE Costs authorized for remittance under PURA.

~~83~~84. The Commission concludes that the steps for the allocation of net proceeds from the sale of Subchapter N Bonds for the payment of the Uplift Balance to QSEs representing the interests of qualifying Load-Serving Entities as described in Findings of Fact Paragraphs ~~80~~81 through ~~82~~83 is reasonable and sufficient to ensure that the net proceeds of the Subchapter N Bonds will be used shall be used solely for the purposes described in Subchapter N, and should therefore be approved.

IV. CONCLUSIONS OF LAW

1. ERCOT is ~~an~~the independent organization as defined in PURA § 39.652(1).
2. ERCOT is entitled to file an application for a debt obligation order under PURA § 39.653.
3. The Commission has jurisdiction and authority over ERCOT's application for a debt obligation order pursuant to PURA § 39.653.
4. The Commission has authority to approve this Debt Obligation Order under PURA Chapter 39, Subchapter N.
5. Notice of ERCOT's application was provided in compliance with applicable law, through ERCOT's standard form of communication with Load-Serving Entities.
6. Reserved.
7. Financing the Uplift Balance in the manner provided by this Debt Obligation Order fulfills the purposes of PURA § 39.651 by (1) allowing wholesale market participants who were assessed extraordinary uplift charges due to consumption during the period of emergency to pay those charges over a longer period of time, alleviating liquidity issues and reducing the risk of additional defaults in the wholesale market, and (2) allowing the Commission to stabilize the wholesale electricity market in the ERCOT power region.
8. The issuance advice letter submission process contemplated in this Debt Obligation Order for each series of Subchapter N Bonds satisfies the requirements of PURA § 39.651(e), prescribing that the Commission shall ensure that the structuring and pricing of the Subchapter N Bonds results in the lowest ~~uplift charges~~Uplift Charges consistent with market conditions and the terms of this Debt Obligation Order.
9. The financing mechanism contemplated in this Debt Obligation Order, including the securitization of Uplift Charges and issuance of Subchapter N Bonds, satisfies the requirements of PURA § 39.653(a), prescribing that the financing will support the financial

integrity of the wholesale market and is necessary to protect the public interest, considering the impacts on both wholesale market participants and retail customers.

10. This Debt Obligation Order adequately details the Uplift Balance to be recovered and financed as required by PURA § 39.653(b)(1).
11. The financing of Upfront Costs to be paid from the proceeds of the Subchapter N Bonds as described in this Debt Obligation Order are costs of implementing this Debt Obligation Order as described in PURA § 39.652(5).
12. The Ongoing Costs associated with administering Subchapter N Bonds as described in this Debt Obligation Order are necessary and unavoidable costs of financing the Subchapter N Bonds under PURA, and the payment of Ongoing Costs from Uplift Charges is needed to ensure that the necessary costs to service the Subchapter N Bonds will be covered.
13. This Debt Obligation Order states the period over which Uplift Charges must be assessed to repay the Subchapter N Bonds, which may not exceed 30 years, as required in PURA § 39.653(b)(2). This provision does not preclude the servicer from recovering Uplift Charges attributable to service rendered during the 30-year period but remaining unpaid at the end of the 30-year period.
14. The processes for (1) the Commission's verification and approval of Qualifying LSE Costs payable to qualifying Load-Serving Entities (as described in Findings of Fact ~~Paragraph 43~~ Paragraphs 11 through 15 of this Debt Obligation Order), and (2) remitting the net proceeds of the Subchapter N Bonds for the payment of approved Qualifying LSE Costs (as described in Findings of Fact Paragraphs ~~8081~~ 8181 and ~~8182~~ 8182 of this Debt Obligation Order), satisfy the requirements of PURA § 39.653(b)(3).

15. Ordering Paragraphs 38 and 39 of this Debt Obligation Order are adequate to ensure that the net proceeds of the Subchapter N Bonds must be used solely for the purposes of financing Qualifying LSE Costs, as prescribed by PURA § 39.651(d).
16. Amounts that are required to be paid to the servicer as Uplift Charges under this Debt Obligation Order are "Uplift Charges" as defined in PURA § 39.652(5).
17. The processes described in Findings of Fact Paragraphs ~~52~~53 through ~~59~~60 of this Debt Obligation Order (pertaining to the assessment and collection of Uplift Charges) and Findings of Paragraphs ~~61~~62 through ~~70~~71 of this Debt Obligation Order (pertaining to the true-up of Uplift Charges), satisfy the requirements of PURA § 39.653(c). In keeping with the existing protocols of ERCOT, any QSE representing one or more Load-Serving Entities is responsible for paying and settling Uplift Charges with ERCOT on behalf of its Load-Serving Entities.
18. The one-time process described in Findings of Fact ~~Paragraph 14~~Paragraphs 11 through 13 of this Debt Obligation Order for allowing qualifying Load-Serving Entities to opt-out of the Uplift Charges authorized under this Debt Obligation Order satisfies the requirements of PURA ~~§ 39.653(d)~~§ 39.653(d). PURA § 39.653 does not apply to Brazos and Rayburn, and they are deemed to have opted-out to the extent required.
19. Ordering Paragraph 41 of this Debt Obligation Order satisfies the requirements of PURA § 39.653(e).
20. The Subchapter N Bonds authorized to be issued pursuant to this Debt Obligation Order and PURA § 39.653 are a nonrecourse debt secured solely by the Uplift Property created by this Debt Obligation Order (including the Uplift Charges explicitly assessed to repay the Subchapter N Bonds), and the Subchapter N Bonds do not create a personal liability for ERCOT.

21. Ordering Paragraphs 14 and 15 of this Debt Obligation Order, together with the other terms contained in this Debt Obligation Order, are sufficient to ensure that the imposition and collection of Uplift Charges authorized in this Debt Obligation Order shall be nonbypassable and authorize ERCOT to establish appropriate fees and other amounts for pursuing amounts owed from QSEs and Obligated LSEs, as prescribed in PURA §39.656.
22. The mechanisms for the true-up of Uplift Charges described in Findings of Fact Paragraphs ~~64~~62 through ~~70~~71 of this Debt Obligation Order satisfy the requirements of PURA § 39.657.
23. The rights and interests of ERCOT or its successor under this Debt Obligation Order, including the right to impose, collect and receive the Uplift Charges authorized in this Debt Obligation Order, are assignable and shall become Uplift Property when they are first transferred to BondCo, as prescribed by PURA § 39.662.
24. The rights, interests and property conveyed to BondCo in any purchase and sale agreement or related bill of sale, including the irrevocable right to impose, collect and receive Uplift Charges and the revenues and collections from Uplift Charges are "Uplift Property" within the meaning of PURA § 39.662.
25. All Uplift Property created under this Debt Obligation Order shall constitute a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the Uplift Charges ~~depend~~depends on further acts by ERCOT or others that have not yet occurred, as prescribed by PURA § 39.662(b).
26. All revenues and collections resulting from the Uplift Charges assessed under this Debt Obligation Order shall constitute proceeds only of the Uplift Property arising from this Debt Obligation Order, as provided by PURA § 39.662(c).
27. Upon the transfer by ERCOT of Uplift Property to a BondCo, the BondCo shall have all of the rights, title and interest of ERCOT with respect to such Uplift Property including the

right to impose, collect and receive the Uplift Charges authorized by this Debt Obligation Order.

28. The transactions involving the transfer and ownership of Uplift Property and the receipt of Uplift Charges to BondCo as contemplated in this Debt Obligation Order are exempt from state and local income, sales, franchise, gross receipts, and other taxes or similar charges, pursuant to PURA § 39.658.

29. The holders of the Subchapter N Bonds and the Indenture Trustee are each "financing parties" within the meaning of PURA § 39.663.

30. BondCo may issue Subchapter N Bonds in accordance with this Debt Obligation Order.

31. The Subchapter N Bonds issued pursuant to this Debt Obligation Order are "debt obligations" within the meaning of PURA § 39.651(a) and the Subchapter N Bonds and holders thereof are entitled to all of the protections provided under Subchapter N of Chapter 39 of PURA.

32. If and when ERCOT transfers to a BondCo the right to impose, collect, and receive the Uplift Charges and to issue the Subchapter N Bonds, the servicer shall be able to recover the Uplift Charges associated with such Uplift Property only for the benefit of ~~the~~ BondCo and the holders of the Subchapter N Bonds in accordance with the servicing agreement.

33. As provided by PURA § 39.663, the Subchapter N Bonds authorized by this Debt Obligation Order are not a debt or obligation of the State of Texas and are not a charge on its full faith and credit or taxing power.

34. By adopting this Debt Obligation Order Each of the State of Texas and the Commission has lawfully pledged for the benefit and protection of all financing parties and ERCOT, that it shall not take or permit any action that would impair the value of Uplift Property, or reduce, alter, or impair the Uplift Charges to be imposed, collected, and remitted to financing parties, until the principal, interest and premium, and any other charges incurred and contracts to be

performed in connection with the related Subchapter N Bonds have been paid and performed in full. A-BondCo, in issuing Subchapter N Bonds, is authorized pursuant to PURA § 39.663 and this Debt Obligation Order to include this pledge in any documentation relating to the Subchapter N Bonds.

35. This Debt Obligation Order shall remain in full force and effect and unabated notwithstanding the bankruptcy of ERCOT, its successors, or assignees.

~~36. Reserved.~~

~~37.~~36. This Debt Obligation Order is a final order approving ERCOT's application for a debt obligation order under PURA § 39.653, and is irrevocable and not subject to reduction, impairment or adjustment by further action of Commission, as prescribed by PURA §39.653(f), and the finality of this Debt Obligation Order is not impaired in any manner by the participation of the Commission through its designated representative in any decisions related to issuance of the Subchapter N Bonds or by the Commission's review of or issuance of an order related to the issuance advice letter required to be filed with the Commission by this Debt Obligation Order.

~~38.~~37. The Uplift Charges authorized in this Debt Obligation Order are irrevocable and not subject to reduction, impairment, or adjustment by further action of the Commission, as prescribed by PURA §39.653(f).

~~39.~~38. This Debt Obligation Order is a final order described in PURA § 39.653(g), and is not subject to rehearing by the Commission.

~~40.~~39. This Debt Obligation Order is not subject to review or appeal except as expressly permitted under PURA § 39.653(g), and any review on appeal shall be based solely on the record before the Commission and briefs to the court and shall be limited to whether this

Debt Obligation Order conform to the constitution and laws of this ~~state~~ State and the United States and is within the authority of the Commission under PURA.

~~41.40.~~ 40. This Debt Obligation Order meets the requirements for a debt obligation order under Subchapter N of Chapter 39 of PURA.

~~42.41.~~ 41. Pursuant to PURA § 39.659, effective on the date the first Subchapter N Bonds are issued under this Debt Obligation Order, if any provision in this title or portion of PURA is held to be invalid or is invalidated, superseded, replaced, repealed, or expires for any reason, that occurrence shall not affect the validity or continuation of Subchapter N or any other provision of PURA that is relevant to the issuance, administration, payment, retirement, or refunding of the Subchapter N Bonds or to any actions of ERCOT, its successors, an assignee, a collection agent, or a financing party, which shall remain in full force and effect.

V. ORDERING PARAGRAPHS

Based upon the record, the Findings of Fact and Conclusions of Law set forth herein, and for reasons stated above, this Commission orders:

A. Approval

1. **Approval of Application.** The application of ERCOT for the issuance of a debt obligation order under PURA § 39.653 is approved, as amended by this Debt Obligation Order.
2. **Uplift Balance.** The Uplift Balance in the amount of up to \$2.1 billion, to be calculated as provided in this Debt Obligation Order, is hereby approved.
3. **Uplift Charges.** The assessment and collection of Uplift Charges to QSEs representing the interests of Obligated LSEs on a load ratio share basis as provided for in this Debt Obligation Order is hereby approved in an amount sufficient to ensure the expected recovery of amounts ~~sufficient~~ necessary to timely provide all payments of debt service and other required

amounts and charges in connection with the Subchapter N Bonds, as provided in this Debt Obligation Order. The initial billing of Uplift Charges is to commence no sooner than the first month following the initial issuance of Subchapter N Bonds.

4. **Subchapter N Bonds.** ERCOT is authorized in accordance with this Debt Obligation Order to issues Subchapter N Bonds in one or more series, in an aggregate principal amount not to exceed the Securitizable Amount. This Debt Obligation Order constitutes Commission approval, if necessary, under PURA § 39.151(d-2) for ERCOT to obtain debt financing.
5. **Authority to Securitize.** ERCOT is authorized in accordance with this Debt Obligation Order to securitize Uplift Charges corresponding to the Securitizable Amount, to cause the issuance of Subchapter N Bonds in an aggregate amount not to exceed the Securitizable Amount, and create Uplift Property to be pledged and assigned by ERCOT as collateral and a source of repayment for the Subchapter N Bonds.
6. **Provision of Information.** ERCOT shall take all necessary steps to ensure that the Commission or its designated representative is provided sufficient and timely information to allow the Commission or its designated representative to fully participate in and exercise its decision making authority over the proposed financing as provided in this Debt Obligation Order.
7. **Issuance Advice Letter.** For each series of Subchapter N Bonds issued, ERCOT shall submit a draft issuance advice letter to the Commission staff for review not later than two weeks prior to the expected date of commencement of marketing the Subchapter N Bonds. Unless the Commission staff elected to act sooner, within one week after receipt of the draft issuance advice letter, Commission staff shall provide ERCOT comments and recommendations regarding the adequacy of the information provided. Not later than the end of the first business day after the pricing of the Subchapter N Bonds and prior to the issuance

of the Subchapter N Bonds, ERCOT, in consultation with the Commission acting through its designated representative, shall file with the Commission an issuance advice letter in substantially the form of the issuance advice letter attached as Appendix A to this Debt Obligation Order. As part of the issuance advice letter, ERCOT, through an officer of ERCOT, shall provide a certification worded identically to the statement in the form of issuance advice letter ~~approved by the Commission~~ attached hereto as Appendix A. The issuance advice letter shall be completed, evidencing the actual dollar amount of the Uplift Charges and other information specific to the Subchapter N Bonds to be issued, and shall certify to the Commission that the structure and pricing of that series results in the lowest Uplift Charges consistent with market conditions at the time that the Subchapter N Bonds are priced and with the terms set out in this Debt Obligation Order. In addition, if original issue discount, additional credit enhancements, or arrangements to enhance marketability are used, the issuance advice letter shall include certification that the original issue discount, additional credit enhancements, or other arrangements are reasonably expected to provide benefits as required by this Debt Obligation Order. All amounts which require computation shall be computed using the mathematical formulas contained in the form of the issuance advice letter in Appendix A to this Debt Obligation Order. Electronic spreadsheets with the formulas supporting the schedules contained in the issuance advice letter shall be included with such letter. The Commission's review of the issuance advice letter shall be limited to compliance with PURA, this Debt Obligation Order, and the specific requirements that are contained in the issuance advice letter. The initial Uplift Charges and the final terms of the Subchapter N Bonds set forth in the issuance advice letter shall become effective on the date of issuance of the Subchapter N Bonds (which shall not occur prior to the fifth business day after pricing) unless prior to noon on the fourth business day after pricing the Commission

issues an order finding that the proposed issuance does not comply with the requirements set forth above in this Ordering Paragraph.

B. Uplift Charges

8. **Imposition and Collection.** ERCOT is authorized to impose Uplifted Charges on, and the servicer is authorized to assess and collect Uplift Charges from, all QSEs representing the interests of Obligated LSEs (which includes Load-Serving Entities who enter the market after a Debt Obligation Order has been issued, but excludes Load-Serving Entities that opt-out in accordance with the Commission's one-time opt-out process, as approved in this Debt Obligation Order), in accordance with the procedures described in Findings of Fact Paragraphs ~~5253~~ through ~~5860~~ of this Debt Obligation Order. ERCOT shall develop and adopt new Protocol provisions governing the assessment and collection of Uplift Charges, consistent with this debt obligation order.
9. **One-Time Opt Out Procedure.** ~~Commission Staff~~Load-Serving Entities electing to opt out shall ~~open a separate compliance docket file in Docket No. 52364~~the documentation required to opt out as described in Findings of Fact ~~Paragraph 14~~Paragraphs 11 and 12 of this Debt Obligation Order, ~~in which qualifying Load-Serving Entities shall be permitted to apply to opt out of the obligation to pay Uplift Charges by submitting appropriate documentation evidencing the invoiced amounts owed for usage during the Period of Emergency.~~ [INSERT PROCESS ORDERING LANGUAGE] Brazos and Rayburn are hereby deemed to have opted out in accordance with Findings of Fact Paragraph 13. Any Load-Serving Entity that ~~pays the amount verified by the Commission pursuant to an Uplift Balance Verification Order~~complies with the Commission's opt out process shall be exempt from the payment of Uplift Charges.

10. **Uplift Charge Remittance Procedures.** Uplift Charges shall be billed to and collected from QSEs representing one or more Obligated LSEs in accordance with ERCOT's existing protocols and the protocol provisions to be created consistent with this debt obligation order, and as described in Findings of Fact ~~Paragraphs 52~~ Paragraph 53 through ~~58~~ 60 of this Debt Obligation Order.

11. **Collector of Uplift Charges.** ERCOT or any subsequent servicer of the Subchapter N Bonds shall bill QSEs or any other entity which, under the terms of this Debt Obligation Order, are required to remit Uplift Charges, for the Uplift Charges attributable to Obligated LSEs they represent.

12. **Collection Period.** The Uplift Charges related to a series of Subchapter N Bonds shall be designed to be assessed over the scheduled life of the Subchapter N Bonds, which may not exceed thirty (30) years from the date of issuance of the first series of Subchapter N Bonds. However, amounts remaining unpaid after this 30-year period may be recovered but only to the extent that the charges are attributable to Uplift Charges allocable to the 30-year period.

13. **Allocation.** ERCOT shall allocate the Uplift Charges to each QSE that represents one or more Obligated LSEs based on the load ratio share of the Obligated LSEs represented by the QSE, and as described in Findings of Fact ~~Paragraphs 52~~ Paragraph 53 through ~~58~~ 60 of this Debt Obligation Order.

14. **Nonbypassability.** The imposition and collection of all Uplift Charges authorized in this Debt Obligation Order shall be nonbypassable to all QSEs representing the interests of Obligated LSEs within the ERCOT power region. All ~~Obligated LSEs~~ QSEs must remit, consistent with this Debt Obligation Order, the Uplift Charges collected from its Obligated LSEs. All QSEs shall be responsible for paying Uplift Charges on behalf of its Obligated LSEs whose interests they represent.

15. **Rights and Remedies.** ERCOT (or any successor servicer) is authorized to exercise all of the rights, remedies, and other methods for pursuing collection of Uplift Charges from QSEs and Obligated LSEs described in Findings of Fact Paragraph ~~59~~60 of this Debt Obligation Order. ERCOT (or any subsequent holder of the Uplift Property) shall be entitled to exercise any such remedies and take any action in accordance with PURA, Commission Substantive Rules, a Commission Order, or the ERCOT protocols then in effect.

16. **True-Ups.** True-ups of the Uplift Charges, shall be undertaken and conducted in accordance with the mechanisms described in Findings of Fact Paragraphs 61 through 71 of this Debt Obligation Order. If Subchapter N Bonds are issued in more than one series, then each series shall be subject to separate true-up adjustments pursuant to PURA and this Debt Obligation Order, provided, however, that more than one series may be trued-up in a single proceeding.

17. **Transfer and Assignment of Uplift Property.** Upon the transfer by ERCOT of the Uplift Property to a BondCo, BondCo shall have all of the rights, title and interest of ERCOT with respect to such Uplift Property, including, without limitation, the right to exercise any rights and remedies with respect thereto. If Subchapter N Bonds are issued in more than one series, then the Uplift Property transferred as a result of each issuance shall be only those rights associated with that portion of the total amount authorized to be securitized pursuant to this Debt Obligation Order which is securitized by such issuance. The rights to ~~imposed~~impose, collect, and receive Uplift Charges along with the other rights arising pursuant to this Debt Obligation Order as they relate to any portion to the total amount to be securitized that remains unsecuritized shall remain with ERCOT and shall not become Uplift Property until transferred to a BondCo in connection with a subsequent issuance of Subchapter N Bonds. A servicer of Subchapter N Bonds shall have the remedies adopted by this Debt Obligation Order.

C. Subchapter N Bonds

18. **Issuance.** ERCOT is authorized through one or more BondCos to issue one or more series of Subchapter N Bonds in an aggregate principal amount not to exceed the Securitizable Amount, as specified in this Debt Obligation Order. The Subchapter N Bonds shall be denominated in U.S. Dollars.
19. **Upfront Costs.** ERCOT is authorized, as part of the Securitizable Amount, to finance and pay for its Upfront Costs from the proceeds of the Subchapter N Bonds in accordance with the terms of this Debt Obligation Order. The Upfront Costs are more fully described in, ~~as provided in~~ Findings of Fact Paragraph ~~45~~16 of this Debt Obligation Order. No individual cap shall apply to any component of the Upfront Costs.
20. **Ongoing Costs.** ERCOT may recover its actual Ongoing Costs through its Uplift Charges in accordance with the terms of this Debt Obligation Order. The Ongoing Costs are more fully described in, ~~as provided in~~ Findings of Fact Paragraph ~~45~~17 of this Debt Obligation Order.
21. **Refinancing.** ERCOT shall be authorized to refinance a portion or all of any prior series of Subchapter N Bonds. This Debt Obligation Order constitutes Commission approval to refinance under PURA § 39.151(d-2). Any such refinancing bonds may be offered for sale in public or private markets consistent with market conditions that will result in the lowest Uplift Charges consistent with then market conditions. ERCOT will not be required to apply for a subsequent order for any refinancing of Subchapter N Bonds; however, the authority and approval granted in this Debt Obligation Order is effective as to any such refinancing upon, but only upon, ERCOT filing with the Commission a separate issuance advice letter for that issuance demonstrating compliance of that issuance with the provisions of this Debt Obligation Order.

22. **Collateral.** All Uplift Property shall be held and administered by the Indenture Trustee pursuant to the indenture as described in ERCOT's application. BondCo shall establish a collection account with the Indenture Trustee as described in the application and Findings of Fact Paragraphs ~~44~~45 through ~~48~~49 of this Debt Obligation Order. Upon payment of the principal amount of all Subchapter N Bonds authorized in this Debt Obligation Order and the discharge of all obligations in respect thereof all amounts in the collection account, including investment earnings, other than amounts in the capital subaccount, shall be released by the Indenture Trustee to BondCo for distribution in accordance with Ordering Paragraph 23 of this Debt Obligation Order. ERCOT shall notify the Commission within thirty (30) days after the date that these funds are eligible to be released of the amount of such funds available for crediting to the benefit of wholesale market participants.

23. **Distribution Following Repayment.** Following repayment of the Subchapter N Bonds authorized in this Debt Obligation Order and release of the funds held by the Indenture Trustee, the servicer, on behalf of BondCo, shall distribute to ERCOT, the final balance of the general, excess funds, and all other subaccounts (other than amounts that were in the capital subaccount), whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other Uplift Balance have been paid. The amounts shall be distributed to the QSEs representing each Obligated LSE that paid Uplift Charges during the last twelve (12) months that the Uplift Charges were in effect. BondCo or its successor in interest to the Uplift Property shall, to the extent the capital subaccount is not depleted below its original amount, also distribute to QSEs representing the interests of Obligated LSEs any subsequently collected Uplift Charges. The amount paid to each wholesale market participant shall be determined by multiplying the total amount available for distribution by a fraction, the numerator of which is the total Uplift Charges

paid by the wholesale market participant during the last twelve (12) months Uplift Charges were in effect and the denominator of which is the total Uplift Charges paid by all QSEs representing the interests of Obligated LSEs during the last twelve (12) months the Uplift Charges were in effect.

24. **Funding of Capital Subaccount.** The capital contribution by ERCOT to be deposited into the capital subaccount shall, with respect to each BondCo and series of Subchapter N Bonds, be funded by ERCOT and not from the proceeds of the sale of Subchapter N Bonds. Such capital may be contributed at the issuance of each series of Subchapter N Bonds or, consistent with applicable tax and securities laws and regulations, periodically during the term of each series of Subchapter N Bonds. Upon payment of the principal amount of all Subchapter N Bonds and the discharge of all obligations in respect thereof, all amounts in the capital subaccount, including investment earnings, shall be released to BondCo for payment to ERCOT. Investment earnings in this subaccount and authorized return on capital contributions in excess of ~~0.05~~50%, or such greater amount of capital as is required by applicable tax and securities laws and regulations, of the original principal amount of the Subchapter N Bonds, if any, may be released earlier in accordance with the indenture.

25. **Original Issue Discount; Credit Enhancement.** ERCOT may provide original issue discount or provide for various forms of credit enhancement, including letters of credit, an over-collateralization subaccount or other reserve accounts, surety bonds, and other mechanisms designed to promote the credit quality or marketability of the Subchapter N Bonds to the extent not prohibited by this Debt Obligation Order. The decision to use such arrangements to enhance credit or promote marketability shall be made in conjunction with the Commission acting through its designated representative. ERCOT may not enter into an interest rate swap, currency hedge, or interest rate hedging arrangement. ERCOT may

include the costs of original issue discount, credit enhancements or other arrangements to promote credit quality or marketability as Upfront Costs or Ongoing Costs (as appropriate) only if ERCOT certifies that such arrangements are reasonably expected to provide benefits greater than their cost and such certifications are agreed with by the Commission designated representative. ERCOT shall not be required to enter any arrangements to promote credit quality or marketability unless all related costs and liabilities can be included in as Upfront Costs or Ongoing Costs (as appropriate). ERCOT and the Commission designated representative shall evaluate the relative benefits of the arrangements in the same way that benefits are quantified under the quantifiable benefits test. This Ordering Paragraph does not apply to the collection account or its subaccounts approved in this Debt Obligation Order.

26. **Life of Bonds.** The ~~scheduled~~legal final ~~payment~~maturity of the Subchapter N Bonds authorized by this Debt Obligation Order shall not exceed thirty (30) years.

27. **Amortization Schedule.** The Commission approves, and the Subchapter N Bonds shall be structured to provide, Uplift Charges that are designed to produce substantially level annual debt service over the expected life of the Subchapter N Bonds and utilize consistent allocation factors, subject to modification in accordance with the true-up mechanisms adopted in this Debt Obligation Order.

28. **Commission Participation in Bond Issuance.** The Commission, acting through its designated representative, shall participate directly with ERCOT in negotiations regarding the structuring, pricing, and marketing, and shall have equal rights with ERCOT to approve or disapprove the proposed structuring, pricing, and marketing of the Subchapter N Bonds. The Commission's designated representative shall have the right to participate fully and in advance regarding all aspects of the structuring, pricing, and marketing of the Subchapter N Bonds (and all parties shall be notified of the designated representative's role), and shall be

provided timely information that is necessary to fulfill its obligation to the Commission. The Commission directs its designated representative to advise the Commission of any proposal that does not comply in any material respect with the criteria established in this Debt Obligation Order and to promptly inform ERCOT and the Commission of any items that, in the designated representative's opinion, are not reasonable. Although this Debt Obligation Order is written in the context of an underwritten offering, nothing herein shall be construed to preclude issuance of the Subchapter N Bonds through a competitive bid offering or private placement if ERCOT and the Commission's designated representative agree that ERCOT should do so. The Commission's designated representative shall notify ERCOT and the Commission no later than 12:00 p.m. on the business day after the Commission's receipt of the issuance advice letter for each series of Subchapter N Bonds whether the structuring, marketing, and pricing of that series of Subchapter N Bonds comply with the criteria established in this Debt Obligation Order.

29. **Use of BondCo.** ERCOT shall use BondCo, a special purpose ~~transition funding~~ entity as proposed in its application, in conjunction with the issuance of a series of Subchapter N Bonds authorized under this Debt Obligation Order. BondCo shall be funded with an amount of capital that is sufficient for BondCo to carry out its intended functions and to avoid the possibility that ERCOT would have to extend funds to BondCo in a manner that could jeopardize the bankruptcy remoteness of BondCo. ERCOT may create more than one BondCo in which event, the rights, structure, and restrictions described in this Debt Obligation Order with respect to BondCo would be applicable to each purchaser of Uplift Property to the extent of the Uplift Property sold to it and the Subchapter N Bonds issued by it.

30. **Pledge of the State.** Each of the State of Texas and the Commission pledges for the benefit and protection of all financing parties and ERCOT, that it shall not take or permit any action that would impair the value of Uplift Property, or reduce, alter, or impair the Uplift Charges to be imposed, collected, and remitted to financing parties, until the principal, interest and premium, and any other charges incurred and contracts to be performed in connection with the related Subchapter N Bonds have been paid and performed in full. A BondCo, in issuing Subchapter N Bonds, is authorized pursuant to PURA § 39.663 and this Debt Obligation Order to include this pledge in any documentation relating to the Subchapter N Bonds.
31. **Limitation on ERCOT's Liability.** The Subchapter N Bonds authorized to be issued pursuant to this Debt Obligation Order and PURA § 39.653 are a nonrecourse debt to ERCOT, secured solely by the Uplift Property created by this Debt Obligation Order (including the Uplift Charges explicitly assessed to repay the Subchapter N Bonds), and the Subchapter N Bonds shall not create a personal liability for ERCOT.

D. Servicing

32. **Servicing Agreement.** The Commission authorizes ERCOT to enter into the servicing agreement with BondCo and to perform the servicing duties approved in this Debt Obligation Order. Without limiting the foregoing, in its capacity as initial servicer of the Uplift Property, ERCOT is authorized to calculate, bill and collect for the account of BondCo, the Uplift Charges initially authorized in this Debt Obligation Order, as adjusted from time to time to meet the Periodic Payment Requirements as provided in this Debt Obligation Order and to make such filings and take such other actions as are required or permitted by this Debt Obligation Order in connection with the true-ups described in this Debt Obligation Order. The servicer shall be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that the annual servicing fee payable to ERCOT while it

is serving as servicer (or to any other servicer affiliated with ERCOT) shall not at any time exceed the amount described in the applicable ~~issue~~issuance advice letter. The servicing agreement shall also include a provision that ERCOT shall indemnify the Commission in connection with any increase in servicing fees that become payable as a result of a default resulting from ERCOT's willful misconduct, bad faith, or negligence in performance of its duties or observance of its covenants under the servicing agreement. The indemnity shall be enforced by the Commission but shall not be enforceable by any other market participant.

33. **Administration Agreement.** The Commission authorizes ERCOT to enter into an administration agreement with each BondCo to provide services relating to the administration of the Subchapter N Bonds. The fee charged by ERCOT as administrator under that agreement shall not exceed the amount described in the applicable ~~issue~~issuance advice letter, plus reimbursable third-party costs.

34. **Replacement of ERCOT as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the Uplift Charges, the financing parties may seek to replace ERCOT as the servicer in accordance with the terms of the servicing agreement. If the servicing fee of the replacement servicer exceeds the amount described in the applicable ~~issue~~issuance advice letter, the replacement servicer shall not begin providing service until (i) the date the Commission approves the appointment of such replacement servicer or (ii) if the Commission does not act to either approve or disapprove the appointment, the date which is forty-five (45) days after notice of appointment of the replacement servicer is provided to the Commission. No entity may replace ERCOT as the servicer in any of its servicing functions with respect to the Uplift Charges and the Uplift Property authorized by this Debt Obligation Order, if the

replacement would cause any of the then current credit ratings of the Subchapter N Bonds to be suspended, withdrawn, or downgraded.

35. **Amendment of Agreements.** The parties to the servicing agreement, administration agreement, indenture, and Uplift Property sale or assignment agreement may amend the terms of such agreements; provided, however, that no amendment to any such agreement shall increase the Ongoing Costs without the approval of the Commission. Any amendment that does not increase the Ongoing Costs shall be effective without prior Commission authorization. Any amendment to any such agreement that may have the effect of increasing Ongoing Costs shall be provided by BondCo to the Commission along with a statement as to the possible effect of the amendment on the Ongoing Costs. The amendment shall become effective on the later of (i) the date proposed by the parties to the amendment or (ii) thirty-one (31) days after such submission to the Commission unless the Commission issues an order disapproving the amendment within a 30-day period.

36. **Collection Terms.** The servicer shall remit collections of the Uplift Charges to BondCo or the Indenture Trustee for BondCo's account in accordance with the terms of the servicing agreement.

E. Structure of the Securitization

37. **Structure.** ERCOT shall structure the financing as proposed in ERCOT's application. This structure shall be consistent with Findings of Fact Paragraphs ~~26~~27 through ~~79~~80 of this Debt Obligation Order.

F. Use of Net Proceeds

38. **Verification of Qualifying LSE Costs.** ~~Commission Staff shall open a separate compliance docket~~ Docket No. 52364 as described in Findings of Fact ~~Paragraph 13~~ Paragraphs 11 through 15 of this Debt Obligation Order, ~~in which~~ shall be used by qualifying Load-Serving

Entities ~~shall have the opportunity~~ to submit appropriate documentation evidencing their exposure to Qualifying LSE Costs, whereupon the Commission will determine the amount of each Load-Serving Entity's allocation of amounts for the recovery of Qualifying LSE Costs in an aggregate amount not to exceed the Uplift Balance.

39. **Remittance of Qualifying LSE Costs.** The net proceeds from the sale of any Subchapter N Bonds issued under this Debt Obligation Order must be used solely for the purpose of financing Qualifying LSE Costs. Upon the issuance of Subchapter N Bonds, BondCo shall transfer the net proceeds from the sale of the Subchapter N Bonds to ERCOT to be remitted to QSEs representing one or more Load-Serving Entities for the recovery of Qualifying LSE Costs authorized by the Commission pursuant to an Uplift Balance Verification Order, as provided in Findings of Fact Paragraphs ~~80~~81 and ~~84~~82 of this Debt Obligation Order. Each of BondCo, ERCOT and the QSEs shall be entitled to conclusively rely upon the amounts approved by the Commission for remittance to Load-Serving Entities for the recovery of Qualifying LSE Costs authorized for remittance under PURA.

40. **Adjustments to Customer Invoices.** All Load-Serving Entities that receive offsets to specific uplift charges from ERCOT pursuant to this Debt Obligation Order must adjust customer invoices to reflect the offsets for any charges that were or would otherwise be passed through to customers under the terms of service with the Load-Serving Entity, including by providing a refund for any offset charges that were previously paid. An electric cooperative, including an electric cooperative that elects to receive offsets, shall not otherwise become subject to rate regulation by the commission and receipt of offsets does not affect the applicability of PURA Chapter 41 to an electric cooperative.

41. **Return of Excess Receipts.** Each Load-Serving Entity that receives any portion of the net proceeds of the Subchapter N Bonds shall use the net proceeds of Subchapter N Bonds solely

to fulfill payment obligations directly related to Qualifying LSE Costs and refunding Qualifying LSE Costs to retail customers who have paid or otherwise would be obligated to pay such costs. Any Load-Serving Entity that receives any portion of the net proceeds of Subchapter N Bonds that ~~exceed~~exceeds the entity's actual Qualifying LSE Costs shall immediately notify ERCOT and remit any Excess Receipts back to ERCOT. Any Excess Receipts received by ERCOT or any subsequent servicing entity shall be credited against the Uplift Balance to reduce the remaining Uplift Charges, apart from the Subchapter N Bonds.

42. **Legal Actions Involving Pricing or Uplift Action.** Any Load-Serving Entity that receives any portion of the net proceeds of the Subchapter N Bonds pursuant to this Debt Obligation Order shall return an amount of the proceeds equal to any money received by the Load-Serving Entity due to litigation seeking judicial review of pricing or uplift action taken by the Commission or ERCOT in connection with the Period of Emergency, regardless of whether the Load-Serving Entity was a party to the litigation that resulted in the Load-Serving Entity receiving money.

43. **Enforcement by the Commission.** Commission Staff may use any enforcement mechanism established by PURA Chapter 15 or PURA Chapter 39, including revocation of certification by the Commission, against any entity that fails to remit Excess Receipts back to ERCOT or otherwise misappropriates or misuses amounts received from the proceeds of the Subchapter N Bonds.

G. Miscellaneous Provisions

44. **Continuing Issuance Right.** ERCOT has the continuing irrevocable right to cause the issuance of Subchapter N Bonds in one or more series in accordance with this Debt Obligation Order for a period commencing with the date of this Debt Obligation Order and extending twenty-four (24) months following the later of (i) the date on which this Debt

Obligation Order becomes final and no longer subject to any appeal; (ii) the date on which the Uplift Balance Verification Order has been issued by the Commission and no longer subject to any appeal; or (iii) the date on which any other regulatory approvals necessary to issue the Subchapter N Bonds are obtained and no longer subject to any appeal. If at any time during the effective period of this Debt Obligation Order there is a severe disruption in the financial markets of the United States, the effective period shall automatically be extended to a date which is not less than ninety (90) days after the date such disruption ends.

45. **Internal Revenue Service Private Letter or Other Rulings.** ERCOT is not required by this Debt Obligation Order to obtain a ruling from the IRS; however, if it elects to do so, then upon receipt, ERCOT shall promptly deliver to the Commission a copy of each private letter or other ruling issued by the IRS with respect to the proposed transaction, the Subchapter N Bonds or any other matter related thereto. ERCOT shall also include a copy of every such ruling by the IRS it has received as an attachment to each issuance advice letter required to be filed by this Debt Obligation Order. ERCOT may cause Subchapter N Bonds to be issued without a private letter ruling if it obtains an opinion of tax counsel sufficient to support the issuance of the bonds.

46. **Binding on Successors.** This Debt Obligation Order, together with the Uplift Charges authorized in it, shall be binding on ERCOT and any successor to ERCOT. This Debt Obligation Order is also binding on any other entity responsible for billing and collecting Uplift Charges on behalf of BondCo, and any successor to the Commission. In this paragraph, a "successor" means any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor or transferor, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, division, consolidation, conversion,

assignment, sale, transfer, lease, management contract, pledge or other security, by operation of law or otherwise.

47. **Flexibility.** Subject to compliance with the requirements of this Debt Obligation Order, ERCOT and BondCo shall be afforded flexibility in establishing the terms and conditions of the Subchapter N Bonds, including the final structure of BondCo, repayment schedules, term, payment dates, collateral, credit enhancement, required debt service, reserves, interest rates, use of original issue discount, hedges, indices and other financing costs and the ability of ERCOT, at its option, to cause one or more series of Subchapter N Bonds to be issued or to create more than one BondCo for purposes of issuing such Subchapter N Bonds.

48. **Effectiveness of Order.** This Debt Obligation Order is effective upon issuance and is not subject to rehearing by the Commission. Notwithstanding the foregoing, no Uplift Property shall be created hereunder, and ERCOT shall not be authorized to impose, collect, and receive Uplift Charges, until concurrently with the transfer of ERCOT's rights hereunder to BondCo in conjunction with the issuance of the Subchapter N Bonds.

49. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the financing of the Uplift Charges associated with the Uplift Balance that is the subject of the application, and all related transactions contemplated in the application, are granted.

50. **Effect.** This Debt Obligation Order constitutes a legal Debt Obligation Order for ERCOT under Subchapter N. The Commission finds this Debt Obligation Order complies with the provisions of Subchapter N. A Debt Obligation Order gives rise to rights, interests, obligations and duties as expressed in Subchapter N. It is the Commission's express intent to give rise to those rights, interests, obligations and duties by issuing this Debt Obligation Order. ERCOT and the servicer are directed to take all actions as are required to effectuate

the transactions approved in this Debt Obligation Order, subject to compliance with the criteria established in this Debt Obligation Order.

51. **Further Commission Action.** The Commission guarantees that it shall act pursuant to this Debt Obligation Order as expressly authorized by PURA to ensure that expected Uplift Charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the Subchapter N Bonds issued pursuant to this Debt Obligation Order and other costs, including fees and expenses, in connection with the Subchapter N Bonds.

52. **All Other Motions, etc., Denied.** All motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief not expressly granted herein, are denied for want of merit.

SIGNED AT AUSTIN, TEXAS the _____ day of _____, 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

WILL MCADAMS, COMMISSIONER

LORI COBOS, COMMISSIONER

JIMMY GLOTFELTY, COMMISSIONER

APPENDIX A
FORM OF ISSUANCE ADVICE LETTER

(appears on immediately following page)

FORM OF ISSUANCE ADVICE LETTER

[_____, 2021]

Docket No. _____ p

THE PUBLIC UTILITY COMMISSION OF TEXAS

SUBJECT: ISSUANCE ADVICE LETTER FOR SUBCHAPTER N BONDS

Pursuant to this Debt Obligation Order adopted in Application of Electric Reliability Council of Texas, Inc. for a debt obligation order, Docket No. _____ (the "Debt Obligation Order"), the Electric Reliability Council of Texas, Inc., ("Applicant") hereby submits, no later than twenty-four hours after the pricing of this series of Subchapter N Bonds, the information referenced below. This Issuance Advice Letter is for the [BondCo] Subchapter N Bonds series [_____] , tranches []. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in this Debt Obligation Order.

PURPOSE

This filing establishes the following:

- (a) the total amount of the Securitizable Amount being financed;
- (b) confirmation of compliance with issuance standards;
- (c) the actual terms and structure of the Subchapter N Bonds being issued;
- (d) the initial Uplift Charges; and
- (e) the identification of the BondCo.

SECURITIZABLE AMOUNT BEING FINANCED

The total amount of the Securitizable Amount being financed is presented in Attachment 1.

COMPLIANCE WITH ISSUANCE STANDARDS

This Debt Obligation Order requires Applicant to confirm, using the methodology approved therein, that the actual terms of the Subchapter N Bonds result in compliance with the standards set forth in this Debt Obligation Order. These standards are:

53. The financing of the Securitizable Amount shall support the financial integrity of the wholesale market and is necessary to protect the public interest.
54. ERCOT shall recover the Uplift Charges by collecting from and allocating among Load-Serving Entities the Uplift Charges on a load ratio share basis.
55. The Uplift Charges shall be assessed on all ~~load-serving entities~~ Load-Serving Entities on a load ratio share basis, including ~~load-serving entities~~ Load-Serving Entities who enter the market after the Debt Obligation Order is issued, but excluding the load of entities that opt out in accordance with PURA § 39.653(d).
56. ERCOT shall not reduce payments to or uplift short-paid amounts to a municipally owned utility that becomes subject to ERCOT's jurisdiction on or after May 29, 2021 and before December 30, 2021, related to a default on a payment obligation by a market participant that occurred before May 29, 2021.
57. The present value calculation, if any, uses a discount rate equal to the proposed interest rate on the debt obligations.
58. The Subchapter N Bonds shall be issued in one or more series comprised of one or more tranches having target final maturities of ___ years and legal final maturities not exceeding thirty (30) years from the date of issuance of such series;
59. The Subchapter N Bonds may be issued with an original issue discount, additional credit enhancements, or arrangements to enhance marketability provided that the Applicant
60. The structuring and pricing of the Subchapter N Bonds is certified by the Applicant to result in the lowest Uplift Charges consistent with market conditions and the terms set out in this Debt Obligation Order.

ACTUAL TERMS OF ISSUANCE

Subchapter N Bonds Series: _____

Subchapter N Bonds Issuer: [Bondco]

Trustee: _____

Closing Date: _____, 2021

Bond Ratings: _____

Amount Issued: \$[_____]

Subchapter N Bonds Upfront Costs: See Attachment [____], Schedule [____].

Subchapter N Bonds Ongoing Costs: See Attachment [____], Schedule [____].

Tranche	Coupon Rate	Expected Final Payment	Legal Final Maturity

Effective Annual Weighted Average Interest Rate of Subchapter N Bonds	[_____]%
Life of Series	_____ years
Weighted Average Life of Series	_____ years
Call Provisions (including premium, if any)	Attachment __, Schedule __
Target Amortization Schedule	Attachment __, Schedule __
Target Final Payment Dates	Attachment __, Schedule __
Legal Final Maturity Dates	Attachment __, Schedule __
Payment to Investors	Semiannually, Beginning _____, 202__
Initial annual Servicing Fee as a percent of the original Subchapter N Bonds principal balance	[_____]%

INITIAL UPLIFT CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial Uplift Charges.

TABLE I	
Input Values for Initial Uplift Charges	
Applicable period: from _____ to _____	
Forecasted Uplift Charges for the applicable period:	
Debt service for applicable period:	
Percent of Uplift Charges expected to be charged-off:	
Forecasted Uplift Charges billed and collected for applicable period:	
Forecasted annual ongoing expenses (excluding bond principal and interest):	
Current Subchapter N Bond outstanding balance:	
Target Subchapter N Bond outstanding balance as of __/__/__:	
Total Periodic Billing Requirement for applicable period:	

Based on the foregoing, the initial Uplift Charges to Qualified Scheduling Entities representing Load Serving Entities are as follows:

IDENTIFICATION OF SPE

The owner of the Uplift Property will be: _____ [BondCo].

EFFECTIVE DATE

In accordance with the Debt Obligation Order, the Uplift Charges shall be automatically effective upon ~~approval~~ issuance of the Debt Obligation Order Subchapter N Bonds.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at Applicant's corporate headquarters.

AUTHORIZED OFFICER

This undersigned is an officer of Applicant and authorized to deliver this Issuance of Advice Letter on behalf of Applicant.

Respectfully submitted,

ERCOT

By: _____

Name: _____

Title: _____

ATTACHMENT 1
SCHEDULE A

CALCULATION OF SECURITIZABLE AMOUNT FINANCED

Amounts uplifted to Load-Serving Entities on a load ratio share basis due to energy consumption during the Period of Emergency for Reliability Deployment Price Adder Charges.	\$ _____
Amounts uplifted to Load-Serving Entities on a load ratio share basis due to energy consumption during the Period of Emergency for Ancillary Service Charges.	\$ _____
Reasonable costs incurred by ERCOT to implement a debt obligation.	\$ _____
TOTAL SECURITIZABLE AMOUNT	\$ _____

ATTACHMENT 1
SCHEDULE B
PROJECTED UPFRONT COSTS

Underwriters' Fees	\$
Company's/Issuer's Counsel and Underwriters' Counsel Legal Fees & Expenses	\$
Commission's Financial Advisor's Fees, Legal Fees & Expenses	\$
ERCOT Financial Advisor Fees & Expenses	\$
Printing/Edgarizing Expenses	\$
SEC Registration Fee	\$
Securitization Proceeding Expenses	\$
Rating Agency Fees	\$
ERCOT Non-legal Financing Proceeding Costs/Expenses	\$
ERCOT Miscellaneous Administrative Costs	\$
Accountant's Fees	\$
Servicer's Set-Up Costs	\$
Trustee's/Trustee Counsel's Fees & Expenses	\$
BondCo Set-Up Costs	\$
Debt Retirement Transaction Costs	\$
Costs of Paying Down Equity	\$
Original Issue Discount	\$
TOTAL PROJECTED UPFRONT COSTS FINANCED	\$

Note: Any difference between the projected upfront costs financed and the actual upfront costs incurred shall be resolved through the true-up process described in this Debt Obligation Order.

ATTACHMENT 2
SCHEDULE A
SUBCHAPTER N BOND REVENUE REQUIREMENT INFORMATION

SERIES ,TRANCHE				
Payment Date	Principal Balance	Interest	Principal	Total Payment
	\$	\$	\$	\$

SERIES ,TRANCHE				
Payment Date	Principal Balance	Interest	Principal	Total Payment
	\$	\$	\$	\$

SERIES ,TRANCHE				
Payment Date	Principal Balance	Interest	Principal	Total Payment
	\$	\$	\$	\$

ATTACHMENT 2
SCHEDULE B
ONGOING COSTS

	ANNUAL AMOUNT
Ongoing Servicer Fees (ERCOT as Servicer)	\$
Administration Fees	\$
Accountants Fees	\$
Lead Underwriter Ongoing Administration Fees	\$
Legal Fees/Expenses for Company's/Issuer's Counsel	\$
Trustee's/Trustee Counsel Fees & Expenses	\$
Independent Managers' Fees	\$
Rating Agency Fees	\$
Printing/Edgarization Expenses	\$
Miscellaneous	\$
TOTAL (ERCOT AS SERVICER) PROJECTED ANNUAL ONGOING COSTS	\$
Ongoing Servicer Fees (Third Party as Servicer – []% of principal)	\$
Other Servicing Fees	\$
TOTAL (THIRD PARTY AS SERVICER) PROJECTED ONGOING COSTS	\$

Note: The amounts shown for each category of operating expense on this attachment are the expected expenses for the first year of the Subchapter N Bonds. Uplift Charges shall be adjusted at least annually to reflect any changes in ongoing through the true-up process described in this Debt Obligation Order.

ATTACHMENT 2
SCHEDULE C
CALCULATION OF UPLIFT CHARGES

Year	Subchapter N Bond Payments ¹	Ongoing Costs²	Total Nominal Uplift Charge Requirement³	Present Value of Uplift Charges ⁴

¹ From Attachment 2, Schedule A.

² From Attachment 2, Schedule B.

³ Sum of Subchapter N Bond payments and ongoing costs.

ATTACHMENT 3
FORM OF APPLICANT'S CERTIFICATION

[ERCOT Letterhead]

Date: [____], 2021

Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13362
Austin, TX 78711-3326

[Commission's Financial Advisor]

Re: *Application of ERCOT for a debt obligation order*, Docket No. [_____]

ERCOT (the "Applicant") submits this Certification pursuant to Ordering Paragraph No. 17 of this Debt Obligation Order in *Application of Electric Reliability Council of Texas, Inc. for a debt obligation order*, Docket No. [_____] (the "Debt Obligation Order"). All capitalized terms not defined in this letter shall have the meanings ascribed to them in this Debt Obligation Order.

In its issuance advice letter dated [____], 2021, the Applicant has set forth the following particulars of the Subchapter N Bonds:

Name of Subchapter N Bonds: [_____]

SPE: [BondCo]

Closing Date: [____], ~~2021~~20[____]

Amount Issued: [_____]

Expected Amortization Schedule: See Attachment 2, Schedule A to the Issuance Advice Letter

Distributions to Investors (semi-annually): Weighted Average Coupon Rate: ____%

Weighted Average Yield: ____%

The following actions were taken in connection with the design, marketing, structuring and pricing of the bonds:

- [Insert actions actually taken here.]

Based upon information reasonably available to its officers, agents, and employees of Applicant, the Applicant hereby certifies that the structuring and pricing of the bonds, as described in the issuance advice letter, shall result in the lowest Uplift Charges consistent with market conditions and the terms of this Debt Obligation, all within the meaning of § 39.651 of PURA.

Respectfully submitted,

ERCOT

By: _____

Name: _____

Title: _____