



Filing Receipt

Filed Date - 2025-06-12 11:20:11 AM

Control Number - 52709

Item Number - 79

PUC DOCKET NO. 52709

| | | |
|------------------------------------|---|---------------------------|
| COMPLIANCE FILING FOR DOCKET | § | PUBLIC UTILITY COMMISSION |
| NO. 52321 (APPLICATION OF ELECTRIC | § | |
| RELIABILITY COUNCIL OF TEXAS, INC. | § | |
| FOR A DEBT OBLIGATION ORDER | § | OF TEXAS |
| PURSUANT TO CHAPTER 39, | § | |
| SUBCHAPTER M, OF THE PUBLIC | § | |
| UTILITY REGULATORY ACT) | § | |

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. AND
TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC'S
JOINT RESPONSE TO ORDER NO. 21**

JUNE 12, 2025

TABLE OF CONTENTS

| <u>SECTION</u> | <u>PAGE</u> |
|--|--------------------|
| I. Background..... | 1 |
| II. Citations to Indenture and the 2021 Series Supplement..... | 2 |
| III. No Increase in Ongoing Costs | 3 |
| IV. Notice to the Commission and Commission's General Counsel..... | 3 |
| Attachment 1 First Amendment to 2021 Series Supplement..... | |

PUC DOCKET NO. 52709

| | | |
|---|----------|----------------------------------|
| COMPLIANCE FILING FOR DOCKET | § | PUBLIC UTILITY COMMISSION |
| NO. 52321 (APPLICATION OF ELECTRIC | § | |
| RELIABILITY COUNCIL OF TEXAS, INC. | § | |
| FOR A DEBT OBLIGATION ORDER | § | OF TEXAS |
| PURSUANT TO CHAPTER 39, | § | |
| SUBCHAPTER M, OF THE PUBLIC | § | |
| UTILITY REGULATORY ACT) | § | |

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC. AND
TEXAS ELECTRIC MARKET STABILIZATION FUNDING M LLC'S
JOINT RESPONSE TO ORDER NO. 21**

Pursuant to the Debt Obligation Order adopted by the Public Utility Commission of Texas (the Commission) in Docket No. 52321¹ (hereinafter, the Debt Obligation Order), Electric Reliability Council of Texas, Inc. (ERCOT), as the sole member of Texas Electric Market Stabilization Funding M LLC (the Issuer) caused the Issuer to comply with Subchapter M of Chapter 39 of the Public Utility Regulatory Act and issue the Texas Stabilization M Bonds, Series 2021 (the Series 2021 Stabilization M Bonds). ERCOT and the Issuer hereby submit this Joint Response to Order No. 21 (the Joint Response). The deadline to provide this Joint Response is June 12, 2025;² therefore, this pleading is timely filed. In support of this Joint Response, ERCOT and the Issuer respectfully show as follows:

I. Background

On June 9, 2025, ERCOT and the Issuer filed a Joint Notice of Intent to again Amend the 2021 Series Supplement to the Indenture (the Joint Notice).³ The purpose of the Joint Notice is to comply with the provisions of Section 9.02 of the Indenture. Section 9.02 of the Indenture requires a greater scope of notice than does Ordering Paragraph 33 of the Debt Obligation Order. While the Debt Obligation Order specifies that any amendment to the bond documents entered into in connection with

¹ *Application of the Electric Reliability Council of Texas, Inc. for a Debt Obligation Order Pursuant to Chapter 39, Subchapter M, of the Public Utility Regulatory Act*, Docket No. 52321. Corrected Final Debt Obligation Order. Findings of Fact No. 65, 66, and 71 and Ordering Paragraphs Nos. 15 and 15A (Oct. 14, 2021) [hereinafter Debt Obligation Order].

² Order No. 21 at pg.3 (June 10, 2025).

³ See PUC Docket No. 52709 Control No. 52709, Item No. 77.

the Series 2021 Stabilization M Bonds that “may have the effect of increasing the ongoing costs” must be preapproved by the Commission,⁴ the Indenture requires that *no amendment*⁵ to the Indenture shall be effective unless at least thirty-one (31) days prior to the effective date the Holders of the Series 2021 Stabilization M Bonds consent and (i) notice of the proposed amendment is provided to the Commission and its general counsel and (ii) within thirty (30) days of receiving notification of the proposed amendment the Commission either provides notice of consent or takes no action. Lack of action by the Commission within the thirty days (30) is deemed consent.⁶

On information and belief, it is not uncommon for trustees and/or bond holders to impose upon issuers more restrictive requirements to amend indentures, such as those more restrictive requirements noted above, than are placed in debt obligation orders.

The Commission’s Order No. 21 establishes a procedural schedule, including a deadline for ERCOT and the Issuer to provide required information and a deadline for Commission Staff to make recommendations. This Joint Response timely provides the information required of ERCOT and the Issuer in Order No. 21.

II. Citations to Indenture and the 2021 Series Supplement

The Indenture⁷ and the 2021 Series Supplement⁸ are each filed with the Commission in this compliance proceeding and are available on the Commission’s interchange.⁹ Additionally, a copy of the First Amendment to the 2021 Series Supplement is attached hereto as Attachment 1. Entry into the First Amendment to the 2021 Series Supplement was approved by the Commission.¹⁰ As reflected

⁴ Debt Obligation Order Ordering paragraph 33.

⁵ The term “Supplemental Indenture” used in Section 9.03 of the Indenture includes amendments to the 2021 Series Supplement.

⁶ Indenture at Section 9.03(a) and Section 9.03(b).

⁷ Indenture between Texas Electric Market Stabilization Funding M LLC as Issuer and U.S. Bank National Assoc., as Trustee.

⁸ 2021 Series Supplement between Texas Electric Market Stabilization Funding M LLC as Issuer and U.S. Bank National Assoc., as Trustee.

⁹ See ERCOT’s Filing of the Indenture (Nov. 14, 2022, Interchange Item No. 17.); ERCOT’s Filing of the 2021 Series Supplement (Nov. 14, 2021, Interchange Item No. 15.)

¹⁰ See Interim Order Dec. 12, 2024.

in the Joint Notice¹¹, while the Issuer has previously redeemed a portion of the Series 2021 Stabilization M Bonds, no new series of Stabilization M Bonds has been issued. Thus, the Indenture and 2021 Series Supplement, as previously amended, remain the controlling documents.

III. No Increase in Ongoing Costs

The proposed 2021 Series Supplement Second Amendment does not increase ongoing costs.¹² The sole purpose of the proposed 2021 Series Supplement Second Amendment is to allow for certain credit enhancements (the Credit Enhancements) to be made available, at the Issuer's election, to redeem Series 2021 Stabilization M Bonds. The Credit Enhancements are in the form of a \$4 million Debt Service Reserve Account and a \$3 million Supplemental Capital Sub Account.¹³

Should the Issuer obtain consent to again amend the Indenture to allow it to use all or any portion of the Credit Enhancements to redeem portions of the Series 2021 Stabilization M Bonds and should the Issuer elect to use all or any portion of the Credit Enhancements to redeem the Series 2021 Stabilization M Bonds, that action will have the effect of lowering the outstanding balance due on the Series 2021 Stabilization M Bonds. Lowering the balance that needs to be refinanced will have the long-term benefit of *reducing, not increasing, costs* as it means lower default charges will need to be imposed on Market Participants over the remaining approximate 24 year the refinancing Series of 2025 Stabilization M Bonds are repaid.

IV. Notice to Commissioner's General Counsel

Notice to the Commissioner's Executive Director and General Counsel of the proposed 2021 Series Supplement Second Amendment was provided by ERCOT and the Issuer on June 9, 2025 by regular mail to the addresses set forth below:

¹¹ See Joint Notice at page 2 *et seq.*

¹² See the draft 2021 Series Supplement Second Amendment attached to the Joint Notice as Attachment 2.

¹³ See Joint Notice at page 2.

VIA U.S. REGULAR MAIL

Public Utility Commission of the State of Texas
William B. Travis Building
1701 N. Congress Avenue, Suite 7-110
Austin, Texas 78701

Attn: Executive Director, Connie Corona

VIA U.S. REGULAR MAIL

Public Utility Commission of the State of Texas
William B. Travis Building
1701 N. Congress Avenue, Suite 7-110
Austin, Texas 78701

Attn: Legal Division Director, Marisa Wagley

VIA U.S. REGULAR MAIL

Public Utility Commission of the State of Texas
William B. Travis Building
1701 N. Congress Avenue, Suite 7-110
Austin, Texas 78701

Attn: Rate Regulation Division Director: Darryl
Tietjen

VIA U.S. REGULAR MAIL

Public Utility Commission of the State of Texas
P. O. Box 13326
Austin, TX 78711-3326

Attn: Agency Counsel, Jena Abel, Esquire

Additionally, a courtesy copy was provided on June 9th via email to Mr. Tietjen and Ms. Abel at their known office email addresses.¹⁴

Conclusion and Prayer

Based on the foregoing, ERCOT and the Issuer respectfully request that the Commission, or another Presiding Officer with delegated authority, timely issue an interim order consenting to the proposed 2021 Series Supplement Second Amendment.

Respectfully submitted,

WINSTEAD PC

By: */s/ James W. Doyle*
James W. Doyle
State Bar No. 06094600
jdoyle@winstead.com
Winstead PC
600 Travis Street, Suite 5200
Houston, Texas 77002
Telephone: (713) 650-2718
Facsimile: (713) 650-2400

**ATTORNEY FOR ERCOT
AND THE ISSUER**

¹⁴ Note while the Indenture requires notice be given to both the Commission and the Commission's General Counsel, ERCOT and the Issuer are unable to identify any person holding the title of General Counsel at the Commission.

ATTACHMENT 1

[Copy of First Amendment to 2021 Series Supplement Follow this Page.]

SERIES SUPPLEMENT AMENDMENT

Relating to

Texas Electric Market Stabilization Funding M LLC
Texas Stabilization M Bonds,
Series 2021

THIS SERIES SUPPLEMENT AMENDMENT is dated as of December 27, 2024 (this "Supplement Amendment"), by and between Texas Electric Market Stabilization Funding M LLC, a limited liability company created under the laws of the State of Delaware (the "Issuer"), and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), in its capacity as indenture trustee (the "Indenture Trustee") for the benefit of the Secured Parties under the Indenture dated as of November 12, 2021, by and between the Issuer and the Indenture Trustee, and in its separate capacity as a securities intermediary (as supplemented by that certain Series Supplement dated as of November 12, 2021 (the "Series Supplement"), between the Issuer and the Indenture Trustee, the "Indenture"). Capitalized terms used herein and not otherwise defined shall have their meanings given in the Indenture.

BY ITS ISSUER ORDER adopted by the Issuer on November 12, 2021 (the "Series 2021 Bonds Issuer Order"), the Issuer duly authorized the creation and issuance of Texas Stabilization M Bonds in the original principal amount of \$800,000,000, designated as its "Texas Stabilization M Bonds, Series 2021" (the "Series 2021 Bonds").

BY ITS CERTIFICATE AND DIRECTION LETTER issued December 29, 2022, the Issuer gave Notice of Conditional Partial Redemption of \$382,288,420 of the Series 2021 Bonds.

AS A RESULT OF THE NOTICE OF CONDITIONAL PARTIAL REDEMPTION the Series 2021 Bonds were redeemed in part and reissued in part, and as a result the Series 2021 Bonds are now evidenced by Bond No: R-3 which was issued on February 1, 2023 in the Principal Amount of \$403,800,000 ("Series 2021 Bond No: R-3").

SECTION 9.02 OF THE INDENTURE provides, among other things, that the Issuer and the Indenture Trustee, with the consent of the Holders of not less than a majority of the Outstanding Amount of the Series 2021 Bonds, may at any time enter into an indenture supplemental to the Indenture for the purposes of modifying, in any manner, the rights of the Holders of the Texas Stabilization M Bonds.

ACCORDINGLY, the Issuer, the Indenture Trustee, with the joinder of the Initial Purchaser, do hereby enter into this Supplement Amendment.

ARTICLE I

Additional Definitions

Section 1.1 The following additional definitions are hereby added to the Indenture:

Legislative Action Date: The date funds are made available to the Issuer by the state of Texas or any agency thereof, for the purpose of redeeming the Series 2021 Bonds.

Transferability Restriction Termination Date: The date that is the earlier to occur of the Legislative Action Date and September 1, 2025.

ARTICLE II

Amendments

Section 2.1 Amendment to Section 6(a) of the Series Supplement. Section 6(a) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (a) *No Transfer Prior to the Transferability Restriction Termination Date.* Without the prior written consent of the Issuer, the Series 2021 Bonds shall at all times remain registered with the Initial Purchaser until the Transferability Restriction Termination Date, and notwithstanding anything in the Indenture to the contrary, the Indenture Trustee shall not transfer or exchange the Series 2021 Bonds, prior to the Transferability Restriction Termination Date without the prior written consent of the Issuer.

Section 2.2 Amendment to Section 6(b) of the Series Supplement. Section 6(b) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (b) *Transferability Following the Transferability Restriction Termination Date.* Following the Transferability Restriction Termination Date, and subject to Section 6(c) below, the Initial Purchaser shall be permitted to transfer all or any portion of the Series 2021 Bonds, but only after having given the Issuer and ERCOT forty-five (45) days' prior written notice of the Initial Purchaser's intention to sell all or part of its interest in the Series 2021 Bonds (the "Transfer Notice"). A Transfer Notice may be given to the Issuer and ERCOT before the Transferability Restriction Termination Date, so long as the effective date is on or after the Transferability Restriction Termination Date. The Transfer Notice shall address the following:
 - (i) *Application for Rating.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Initial Purchaser shall determine. The Issuer shall use good faith efforts to cause ratings to be received within ninety (90) days of its receipt of the Transfer Notice. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 Bonds as the Rating Agencies may reasonably request, in a timely manner (subject to customary confidentiality requirements applicable in the context of a public rating), and shall cooperate with the other reasonable requirements of the Rating Agencies. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.
 - (ii) *Offering Memorandum.* If so required by the Initial Purchaser in the Transfer Notice, the Issuer shall, within 90 days, prepare a private placement memorandum or other offering memorandum for dissemination to potential purchasers of the Series 2021 Bonds, setting forth the terms of

the Series 2021 Bonds, the financial information concerning the Issuer and the Texas Stabilization M Bond Collateral, and other information material to an evaluation of the Series 2021 Bonds (the "Offering Memorandum"). All costs relating to the preparation of the Offering Memorandum, including any reasonable costs of the Initial Purchaser, shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture; provided that such costs shall not bear any interest, or include any seller commission or similar cost, which shall be borne solely by the Initial Purchaser.

Section 2.3 Amendment to Section 6(c) of the Series Supplement. Section 6(c) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (c) *Tolling on Transferability Following the Transferability Restriction Termination Date.* Upon receipt of a Transfer Notice as provided in Section 6(b) above, the Initial Purchaser shall not be permitted to sell or transfer all or any portion of the Series 2021 Bonds for an additional sixty (60) days beyond the forty-five (45) day notice period provided for in Section 6(b) if the Issuer provides written notice to the Initial Purchaser no later than fifteen (15) days after receipt of the Transfer Notice of its intention to optionally redeem the Series 2021 Bonds pursuant to Section 5(a) of this Supplement. Should the Issuer fail to redeem the Series 2021 Bonds within such additional sixty (60) day period, then the Initial Purchaser's right to sell or transfer the Series 2021 Bonds shall take effect immediately upon the expiration of such additional 60-day period.

Section 2.4 Amendment to Section 7(a) of the Series Supplement. Section 7(a) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (a) *Credit Rating Requirement.* At any time after the Transferability Restriction Termination Date and upon the written direction the Holders of not less than a majority of the Outstanding Amount, the Issuer shall request a credit rating of the Series 2021 Bonds from one or more Rating Agencies as the Holders of not less than a majority of the Outstanding Amount shall determine. Not later than 90 days after receipt of a written request received from the Holders of a majority of the Series 2021 Bonds the Issuer will cooperate in soliciting a credit rating. The Issuer shall provide to the Rating Agencies such information regarding the Series 2021 Bonds as the Rating Agencies may reasonably request, in a timely manner (subject to customary confidentiality requirements applicable in the context of a public rating), and shall cooperate with the other reasonable requirements of the Rating Agencies. The Issuer shall be responsible for all fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such rating shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 2.5 Amendment to Section 7(b) of the Series Supplement. Section 7(b) of the Series Supplement is hereby deleted and the following is substituted as a complete replacement:

- (b) *Mandatory Put Option.* If any time after the Transferability Restriction Termination Date, but only for so long as the Initial Purchaser is the Holder of the

Series 2021 Bonds, at the written request of the Initial Purchaser, the Issuer will use its good faith best efforts to obtain credit ratings on a new series of Texas Stabilization M Bonds, the proceeds of which will be used to refinance the Series 2021 Bonds. If the Issuer is able to obtain "AA(sf)" or better credit ratings from at least two Rating Agencies, and if the interest rates on this new series of Texas Stabilization M Bonds, based on those credit ratings, are expected to be 1.00% or more lower than the re-set rates on the existing Series 2021 Bonds, the Issuer will redeem the Series 2021 Bonds at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption in the manner set forth in Section 5 hereof, and finance the payment of that redemption price through a new series of Texas Stabilization M Bonds. The Issuer shall use good faith efforts to cause ratings to be received within 90 days of its receipt of such notice, and to cause such refinancing Texas Stabilization M Bonds to be issued as soon as reasonably possible following the receipt of such favorable credit ratings. The fees and charges of the Rating Agencies and all costs and expenses of the Issuer associated with obtaining any such ratings shall constitute Operating Expenses payable from Default Charges in accordance with Section 8.02(c) of the Indenture.

Section 2.6 General Provisions.

- (a) *Ratification of Agreement.* As supplemented by this Supplement Amendment, the Indenture is in all respects ratified and confirmed, and the Indenture, as so supplemented by this Supplement Amendment, shall be read, taken, and construed as one and the same instrument. This Supplement Amendment amends, modifies and supplements the Indenture only in so far as it relates to the Series 2021 Bonds.
- (b) *GOVERNING LAW.* THIS SUPPLEMENT AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS; PROVIDED THAT THE CREATION, ATTACHMENT AND PERFECTION OF ANY LIENS CREATED HEREUNDER IN DEFAULT PROPERTY, AND ALL RIGHTS AND REMEDIES OF THE INDENTURE TRUSTEE AND THE HOLDERS WITH RESPECT TO THE DEFAULT PROPERTY, SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.
- (c) *Conflicting Provisions.* If any term or provision contained in this Supplement Amendment shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Supplement Amendment shall govern.
- (d) *No Recourse to Issuer.* Notwithstanding any provision of the Indenture or this Supplement Amendment to the contrary, Holders shall look only to the Texas Stabilization M Bond Collateral with respect to any amounts due to the Holders hereunder and under the Texas Stabilization M Bonds and, in the event such Texas Stabilization M Bond Collateral is insufficient to pay in full the amounts owed on the Texas Stabilization M Bonds, shall have no recourse against the Issuer in respect of such insufficiency. Each Holder by accepting a Texas Stabilization M Bond specifically confirms the nonrecourse nature of these obligations, and waives

and releases all such liability. The waiver and release are part of the consideration for issuance of the Texas Stabilization M Bonds.


- (c) *Counterparts.* This Supplement Amendment may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement Amendment to be duly executed by their duly authorized officers as of the day and year first above written.

ISSUER:

Texas Electric Market Stabilization Funding M LLC,
a Delaware limited liability company

By: 
Name: Richard L. Scheel
Title: Vice President and Chief Financial Officer

TRUSTEE:

U.S. Bank Trust Company, National Association, as
Trustee

By: _____
Name: _____
Title: _____

*Signature Page to
Series Supplement Amendment (Series 2021 Subchapter M Bonds)*

IN WITNESS WHEREOF, the Issuer and the Indenture Trustee have caused this Supplement Amendment to be duly executed by their duly authorized officers as of the day and year first above written.


ISSUER:

Texas Electric Market Stabilization Funding M LLC,
a Delaware limited liability company

By: _____
Name: Richard L. Scheel
Title: Senior Vice President, Chief Financial Officer
and Chief Risk Officer

TRUSTEE:

U.S. Bank Trust Company, National Association, as
Trustee

By: 
Name: Michael K. Herberger
Title: Vice President

*Signature Page to
Series Supplement Amendment (Series 2021 Subchapter M Bonds)*