



Wells Fargo Letter of Credit

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ERCOT Credit and Collateral Protocol

Prior to October 1, 2023

- ERCOT maintained \$40 million of unsecured credit for DME based on revenue rating of A/Stable
- DME occasionally posted cash to supplement the unsecured credit when additional collateral was necessary

October 1, 2023, ERCOT Credit Protocol Changes

- Eliminated unsecured credit for any market participant
- Market participants required to issue cash or letter of credit to secure credit and collateral obligations
- DME provided cash collateral for all ERCOT financial activity
- DME issued RFP to obtain letter of credit to satisfy new ERCOT protocol



Letter of Credit Program and Benefits

Program

- \$500,000 estimated cost per year for a three-year term
- Drawdown is not anticipated - DME will continue to prepay for power and cash settle all ERCOT accounts
- In the unlikely event of a drawdown, City will explore more effective financing options

Staff recommends the use of a letter of credit for the following benefits

- Protects City's liquidity
- Interest earnings on City's cash will offset cost
- Meets ERCOT collateral requirements



Authority Requested

City to enter into agreement with Wells Fargo to provide a Letter of Credit of up to \$60 million to satisfy new ERCOT protocols.



Questions

