



## **Item 5.1: August 2020 Financial Summary**

*Sean Taylor*

Vice President & Chief Financial Officer

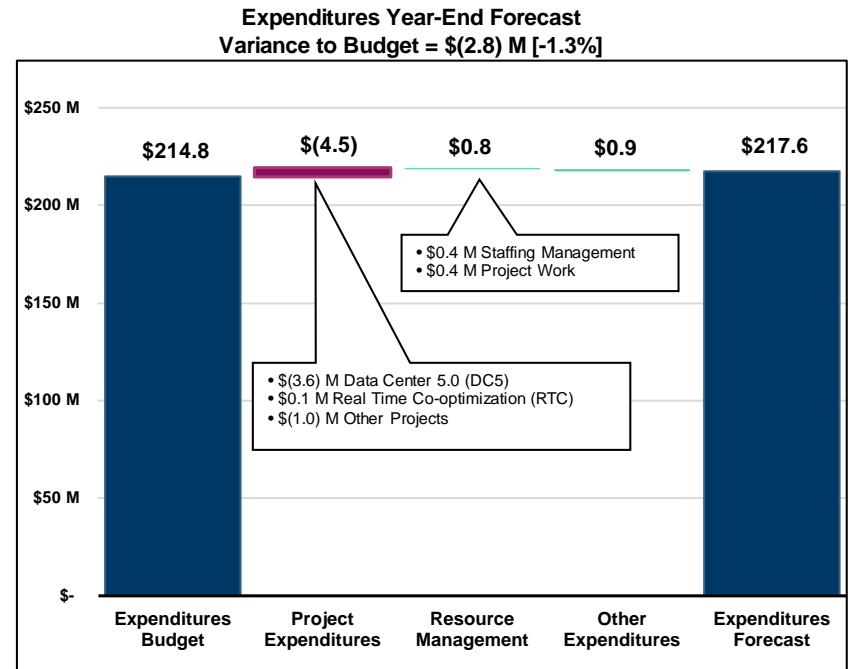
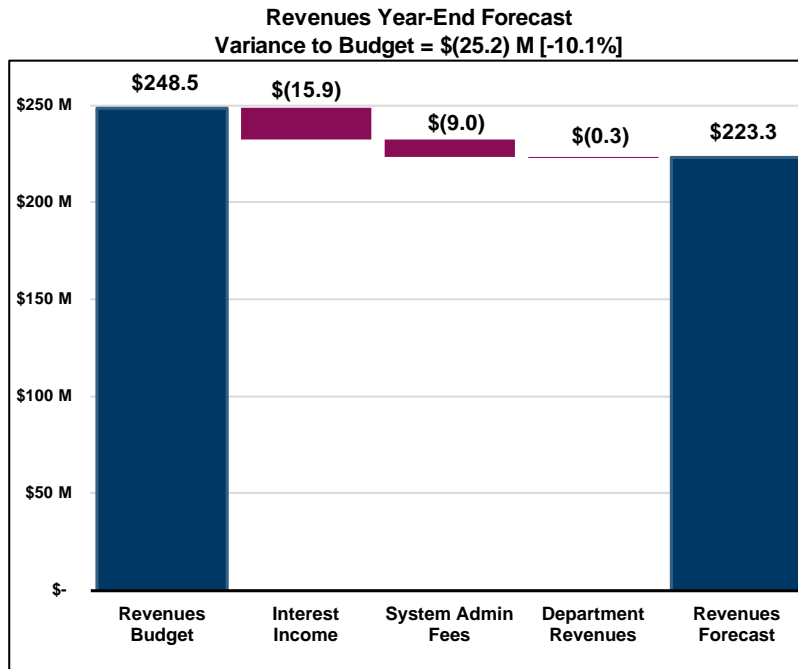
Urgent Finance & Audit Committee Meeting

ERCOT Public

August 10, 2020

# August 2020 Financial Summary: 2020 Variance to Budget (\$ in Millions)

**Net Available Year-End Forecast Variance to Budget = \$(28.0) M**



Charts may not foot due to rounding



# August 2020 Financial Summary: Statements of Financial Position

## As of June 30, 2020 and 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Unrestricted cash	\$ 936.4	\$ 872.7
Bond investments	103.3	101.4
Total unrestricted cash and bond investments	<u>1,039.7</u>	<u>974.1</u>
Restricted cash	497.7	429.6
Other current assets	54.1	39.2
Other long-term assets	136.6	139.5
Total assets	<u>\$ 1,728.1</u>	<u>\$ 1,582.4</u>
<b>Liabilities and Net Assets</b>		
CRR auction liabilities-current	\$ 610.2	\$ 511.6
CRR auction liabilities-long term	387.6	373.5
Other market liabilities	32.4	95.2
Total market settlement liabilities	<u>1,030.2</u>	<u>980.3</u>
Security deposits	497.7	429.6
Other current liabilities	29.1	21.7
Other long-term liabilities	45.6	49.2
Net assets without donor restrictions	125.5	101.6
Total liabilities and net assets	<u>\$ 1,728.1</u>	<u>\$ 1,582.4</u>



# August 2020 Financial Summary: Statements of Activities and Net Assets

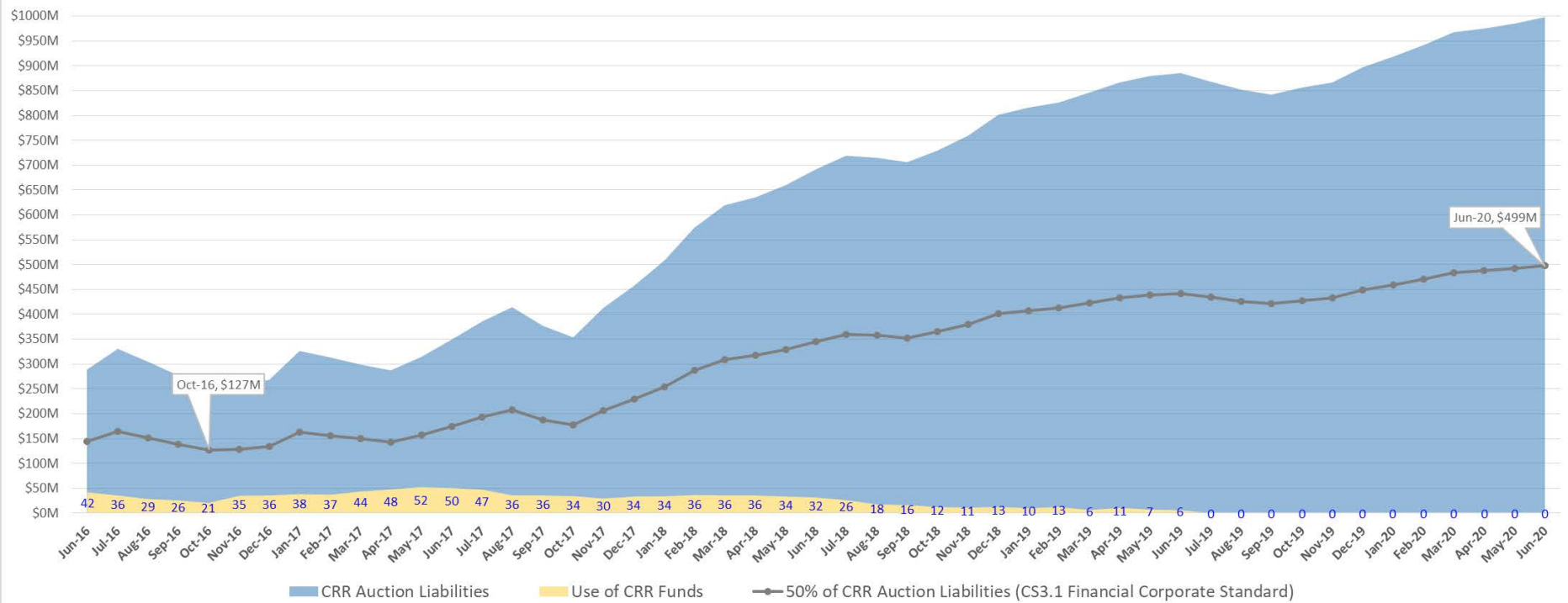
## For the Six Months Ended June 30, 2020 and 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 103.1	\$ 103.2
Operating expenses	105.8	101.9
(Loss) income from operations	(2.7)	1.3
Other income	3.2	10.0
Change in net assets without donor restrictions	0.5	11.3
Net assets without donor restrictions, beginning of year	125.0	90.3
Net assets without donor restrictions, end of period	<u>\$ 125.5</u>	<u>\$ 101.6</u>



# August 2020 Financial Summary: Use of CRR Funds: Actual vs Limits

Use of CRR Funds: Actual vs Limits



As of June 30, 2020, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$10M.



# Appendices

Electric Reliability Council of Texas, Inc. 2020 Financial Summary As of August 3, 2020 (\$ in Millions)		Year to Date (June 30)					Year End (December 31)				
		2019		2020			2019		2020		
		Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%
<b>Line</b>				<u>Variance</u>					<u>Variance</u>		
1	System Administration Revenue	\$ 99.2	\$ 105.2	\$ 99.5	\$ (5.8)	(5.5)	\$ 214.0	\$ 222.6	\$ 213.6	\$ (9.0)	(4.0)
2	<b>Department Net Expenditures</b>										
3	Chief Information Office	37.2	39.6	39.2	0.4	1.1	75.0	78.5	79.0	(0.4)	(0.5)
4	Chief Administrative Office	20.0	21.5	20.7	0.8	3.9	40.3	43.1	42.1	0.9	2.1
5	Grid Planning & Operations	14.9	16.1	15.9	0.2	1.2	30.4	33.8	33.8	(0.1)	(0.2)
6	Commercial Operations	7.6	8.0	8.4	(0.4)	(5.1)	15.2	16.0	16.2	(0.2)	(1.3)
7	External Affairs & Corporate Communications	3.2	3.5	3.3	0.3	7.2	6.3	7.1	6.6	0.4	6.0
8	General Counsel	2.3	3.0	2.8	0.2	6.1	5.0	5.9	5.8	0.1	2.1
9	Chief Executive Office	1.6	1.4	1.1	0.3	22.3	3.0	2.8	2.2	0.6	20.3
10	Project Funded Labor	(3.9)	(5.9)	(5.5)	(0.5)	(7.9)	(8.0)	(11.9)	(12.1)	0.2	1.8
11	<b>Total Department Net Expenditures</b>	<b>82.8</b>	<b>87.2</b>	<b>85.8</b>	<b>1.3</b>	<b>1.5</b>	<b>167.2</b>	<b>175.2</b>	<b>173.7</b>	<b>1.5</b>	<b>0.9</b>
12	<b>Net Revenues After Department Expenditures</b>	<b>16.4</b>	<b>18.1</b>	<b>13.6</b>	<b>(4.4)</b>	<b>(24.5)</b>	<b>46.8</b>	<b>47.4</b>	<b>40.0</b>	<b>(7.4)</b>	<b>(15.7)</b>
13											
14	<b>Less: Project Expenditures</b>	<b>11.6</b>	<b>16.0</b>	<b>21.0</b>	<b>(5.0)</b>	<b>(31.4)</b>	<b>20.8</b>	<b>32.0</b>	<b>36.5</b>	<b>(4.5)</b>	<b>(14.1)</b>
15	<b>Less: Interest Expense</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.0</b>	<b>0.3</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>	<b>(0.1)</b>	<b>(8.8)</b>
16	<b>Add: Interest Income</b>	<b>10.8</b>	<b>10.0</b>	<b>4.1</b>	<b>(5.9)</b>	<b>(59.2)</b>	<b>20.4</b>	<b>20.0</b>	<b>4.1</b>	<b>(15.9)</b>	<b>(79.6)</b>
17											
18	<b>Net Available</b>	<b>\$ 14.8</b>	<b>\$ 11.2</b>	<b>\$ (4.1)</b>	<b>\$ (15.4)</b>	<b>(136.8)</b>	<b>\$ 44.6</b>	<b>\$ 33.7</b>	<b>\$ 5.7</b>	<b>\$ (28.0)</b>	<b>(83.0)</b>

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2020 Financial Summary Variance Explanations As of August 3, 2020		
Line	Year to Date (June 30)	Year End (December 31)
1 System Administration Revenue	-\$5.0 M - Weaker economy -\$0.8 M - Weather	-\$9.0 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	+\$1.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Employee training and business travel +\$0.2 M - Minor capital purchases +\$0.2 M - HW/SW vendor support services [Resource Management-Staffing Management] -\$0.8 M - Common infrastructure purchases -\$0.6 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - HW/SW support and maintenance renewals -\$0.1 M - Data service subscriptions  <u>Timing Differences</u> +\$0.1 M - Professional services +\$0.1 M - Building system maintenance +\$0.1 M - WAN revenues +\$0.1 M - Other miscellaneous -\$0.1 M - HW/SW support and maintenance renewals	+\$1.5 M - Contingent labor [Resource Management-Staffing Management] +\$0.4 M - Employee training and business travel +\$0.2 M - Minor capital purchases +\$0.2 M - HW/SW vendor support services [Resource Management-Staffing Management] -\$1.3 M - Common infrastructure purchases -\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - HW/SW support and maintenance renewals -\$0.1 M - Data service subscriptions
4 Chief Administrative Office	+\$0.2 M - Employee training and business travel +\$0.3 M - Electricity +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.3 M - Professional services +\$0.1 M - Office supplies  -\$0.3 M - Hardware maintenance and software -\$0.1 M - Cyber monitoring service  <u>Timing Differences</u> +\$0.2 M - Property tax +\$0.2 M - Minor capital purchases +\$0.1 M - Professional and consulting services -\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.6 M - Employee training and business travel +\$0.4 M - Electricity +\$0.4 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.3 M - Professional services +\$0.1 M - Office supplies +\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.5 M - Hardware maintenance and software -\$0.5 M - Cyber monitoring service



**Electric Reliability Council of Texas, Inc.**  
**2020 Financial Summary Variance Explanations**  
**As of August 3, 2020**

<b>Line</b>	<b>Year to Date (June 30)</b>	<b>Year End (December 31)</b>
5 Grid Planning & Operations	-\$0.5 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - Black Start training revenue -\$0.2 M - Operator Training Seminar revenue  +\$0.3 M - Employee training and business travel +\$0.3 M - Interconnection revenue +\$0.1 M - Black Start training expense +\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Data service subscriptions +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Software as a Service +\$0.1 M - Consulting services	-\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - Black Start training revenue -\$0.3 M - Operator Training Seminar revenue -\$0.1 M - Training subscriptions +\$0.5 M - Employee training and business travel +\$0.3 M - Interconnection revenue +\$0.2 M - Black Start training expense +\$0.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Data service subscriptions +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Software as a Service +\$0.1 M - Consulting services
6 Commercial Operations	-\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel  <u>Timing Differences</u> -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]	-\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Employee training and business travel
7 External Affairs & Corporate Communications	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel  <u>Timing Differences</u> +\$0.1 M - Media alerts	+\$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.2 M - Employee training and business travel -\$0.1 M - Contingent labor [Resource Management-Staffing Management]
8 General Counsel	+\$0.1 M - Outside legal services +\$0.1 M - Data service subscriptions -\$0.1 M - Board member recruiting expense -\$0.1 M - Minor capital purchases  <u>Timing Differences</u> +\$0.2 M - Outside legal services	+\$0.1 M - Employee training and business travel +\$0.1 M - Outside legal services +\$0.1 M - Data service subscriptions -\$0.1 M - Board member recruiting expense -\$0.1 M - Minor capital purchases
9 Chief Executive Office	+\$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.6 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]
10 Project Funded Labor	<u>Timing Differences</u> -\$0.5 M - Multiple projects [Resource Management-Project Work]	+\$0.2 M - Multiple projects [Resource Management-Project Work]
14 Project Expenditures	-\$4.5 M - Multiple projects  <u>Timing Differences</u> -\$0.5 M - Multiple projects	-\$4.5 M - Primarily due to timing differences for Data Center 5.0 (DC5) and Real Time Co-optimization (RTC)
15 Interest Expense	No material variance	-\$0.1 M - Lower capitalized interest
16 Interest Income	-\$5.9 M - Lower interest rate partially offset by higher investment balance	-\$15.9 M - Lower interest rate partially offset by higher investment balance

**Electric Reliability Council of Texas, Inc.**  
**Project Expenditures Summary**  
(\$ in Millions)

Line	Project	Year to Date As of June 30, 2020		Year End (YE) As of August 3, 2020		Life to Date As of June 30, 2020		Estimate at Completion (EAC) As of August 3, 2020			
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
<b>Projects with EAC Budget Over \$2.5 M</b>											
1	Real Time Co-Optimization (RTC)	\$ 2.3	79%	\$ 2.9	8%	\$ 2.3	4%	\$ 51.6	27%	\$ 51.6	(0.0)
2	Data Center 5.0 (DC5) Program	3.6	100%	3.6	10%	3.6	7%	48.0	25%	48.0	0.0
3	Resource Asset Registration Form (RARF) Replacement (RIOO)	1.6	39%	4.2	11%	4.6	39%	11.8	6%	11.8	0.0
4	Identity and Access Management (IAM)	0.1	100%	0.1	0%	7.9	100%	7.9	4%	8.1	0.2
5	Credit Monitoring and Management (CMM) NPRRs	0.5	41%	1.2	3%	5.9	73%	8.0	4%	7.8	(0.2)
6	Grid Geospatial (Grid Geo) Program	1.0	45%	2.2	6%	5.7	79%	7.2	4%	7.1	(0.1)
7	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	2.5	48%	5.2	14%	3.1	49%	6.4	3%	6.4	0.0
8	Retail Portfolio Refresh Program	1.0	43%	2.4	6%	3.0	58%	5.1	3%	5.2	0.0
9	Enterprise Content Alignment Program (ECAP)	0.9	44%	2.0	5%	4.5	70%	6.4	3%	5.0	(1.4)
10	Reactive Power Coordination (RPC)	0.1	8%	1.2	3%	0.1	3%	4.4	2%	4.4	0.0
11	Energy Management System (EMS) Upgrade 2024	1.3	36%	3.5	9%	1.3	31%	4.1	2%	4.1	0.0
12	Delivery Tool Chain Modernization	1.0	57%	1.7	5%	1.0	28%	3.4	2%	3.4	0.0
13	Security Constrained Unit Commitment (SCUC)	0.0	n/a	0.0	0%	0.0	1%	3.2	2%	3.2	0.0
14	Privileged Account Management (PAM)	0.0	0%	0.7	2%	0.8	33%	2.6	1%	2.6	0.0
15	<b>Total Projects with EAC Budget Over \$2.5 M</b>	<b>15.8</b>	<b>51%</b>	<b>30.7</b>	<b>84%</b>	<b>43.8</b>	<b>26%</b>	<b>170.3</b>	<b>89%</b>	<b>168.7</b>	<b>(1.5)</b>
16	<b>Other Projects</b>	<b>5.3</b>	<b>91%</b>	<b>5.8</b>	<b>16%</b>	<b>9.4</b>	<b>44%</b>	<b>21.4</b>	<b>11%</b>	<b>22.9</b>	<b>1.5</b>
17	<b>Total Project Expenditures</b>	<b>\$ 21.0</b>	<b>58%</b>	<b>\$ 36.5</b>	<b>100%</b>	<b>\$ 53.3</b>	<b>28%</b>	<b>\$ 191.6</b>	<b>100%</b>	<b>\$ 191.6</b>	<b>\$ (0.0)</b>

Note: Schedule may not foot due to rounding

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Financial Position****As of June 30, 2020 and 2019**

(Dollars in Thousands)

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 936,434	\$ 872,717
Accounts receivable	18,772	4,689
Unbilled revenue	3,385	5,019
Restricted cash and cash equivalents	497,691	429,624
Short-term investments	102,848	101,100
Prepaid expenses and other current assets	32,106	29,680
Total current assets	<u>1,591,236</u>	<u>1,442,829</u>
Long-term investments	252	-
Property and equipment, net	116,659	106,891
Systems under development	19,121	32,656
Other Long Term Assets	788	-
Total assets	<u>\$ 1,728,056</u>	<u>\$ 1,582,376</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 9,089	\$ 2,589
Accrued liabilities	10,971	10,202
Deferred revenue	4,992	4,875
Market settlement liabilities	642,571	606,761
Security deposits	497,691	429,624
Notes payable, current portion	4,000	4,000
Total current liabilities	<u>1,169,314</u>	<u>1,058,051</u>
Long-term liabilities:		
Notes payable, less current portion:		
Principal	45,000	49,000
Less unamortized debt issuance costs	182	178
Notes payable less current portion and unamortized debt issuance costs	<u>44,818</u>	<u>48,822</u>
Long-term CRR liabilities	387,586	373,513
Other long-term liabilities	809	354
Total long-term liabilities	<u>433,213</u>	<u>422,689</u>
Total liabilities	<u>1,602,527</u>	<u>1,480,740</u>
Net assets without donor restrictions	<u>125,529</u>	<u>101,636</u>
Total liabilities and net assets	<u>\$ 1,728,056</u>	<u>\$ 1,582,376</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Activities and Net Assets**  
**For the Six Months Ended June 30, 2020 and 2019**  
(Dollars in Thousands)

	<b>2020</b>	<b>2019</b>
Operating revenues		
System administration fees	\$ 99,470	\$ 99,180
Other services revenue	3,607	4,060
Total operating revenues	103,077	103,240
Operating expenses		
Salaries and related benefits	60,265	57,611
Facility and equipment costs	4,482	4,833
Outside services	7,845	8,448
Hardware and software maintenance and licensing	14,408	12,999
Depreciation	15,623	14,578
Other	3,222	3,420
Total operating expenses	105,845	101,889
(Loss) income from operations	(2,768)	1,351
Other income (expense)		
Investment return, net	4,083	10,767
Interest expense	(829)	(799)
Non-operating income	3	-
Change in net assets without donor restrictions	489	11,319
Net assets without donor restrictions, beginning of year	125,040	90,317
Net assets without donor restrictions, end of period	<u>\$ 125,529</u>	<u>\$ 101,636</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Cash Flows****For the Six Months Ended June 30, 2020 and 2019**

(Dollars in Thousands)

	<b>2020</b>	<b>2019</b>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ 489	\$ 11,319
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	15,623	14,578
Amortization of debt issuance costs	8	8
Amortization of bond discount	(166)	(1,670)
Changes in operating assets and liabilities:		
Accounts receivable	(12,916)	1,182
Unbilled revenue	(868)	(1,883)
Prepaid expenses and other assets	(2,511)	(1,888)
Other long-term assets	(788)	-
Other long-term liabilities	450	(72)
Accounts payable	6,461	398
Accrued liabilities	(265)	(767)
Deferred revenue	(701)	(791)
Security deposits	(6,118)	(28,900)
Market settlement liabilities	(49,343)	5,933
Long-term CRR liabilities	28,241	70,114
Net cash (used in) provided by operating activities	<u>(22,404)</u>	<u>67,561</u>
<b>Investing activities:</b>		
Purchase of Investments	(132,000)	29,347
Proceeds from Investments	131,163	(28,834)
Capital expenditures for property and equipment and systems under development	(17,473)	(13,603)
Net cash (used in) investing activities	<u>(18,310)</u>	<u>(13,090)</u>
<b>Financing activities:</b>		
Repayment of notes payable	(2,000)	(2,000)
Payment of debt issuance costs	(20)	-
Net cash (used in) financing activities	<u>(2,020)</u>	<u>(2,000)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(42,734)	52,471
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	1,476,859	1,249,870
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 1,434,125</u>	<u>\$ 1,302,341</u>