



Item 14.1: Review 2020 Financial Summary

Sean Taylor

Vice President and Chief Financial Officer

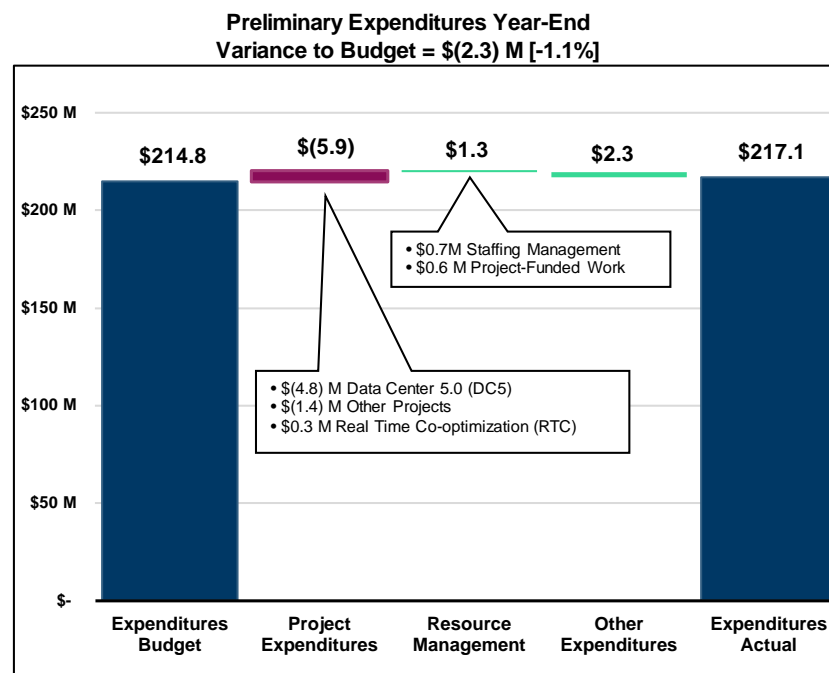
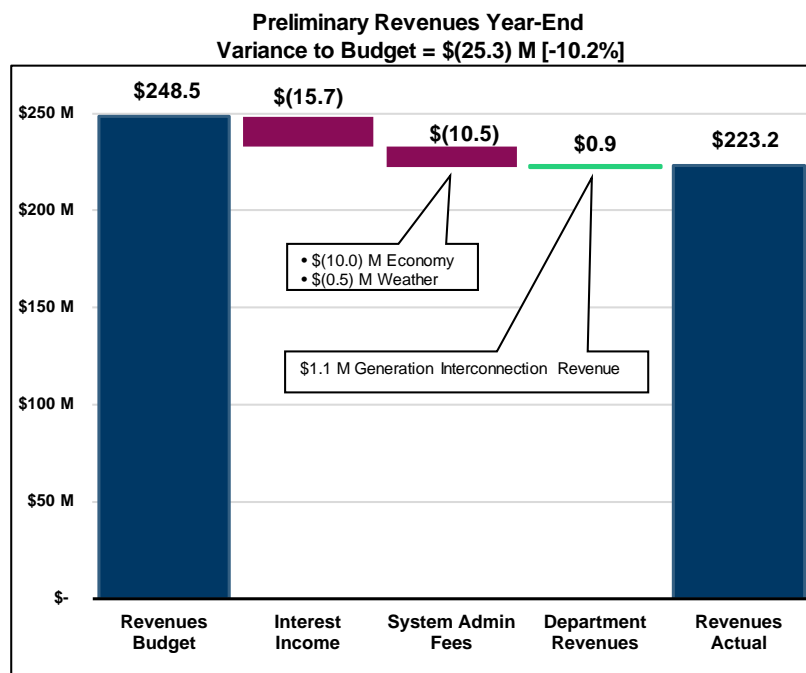
Urgent Finance & Audit Committee Meeting

ERCOT Public

February 8, 2021

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

Preliminary Net Available Year-End Variance to Budget = \$(27.6) M

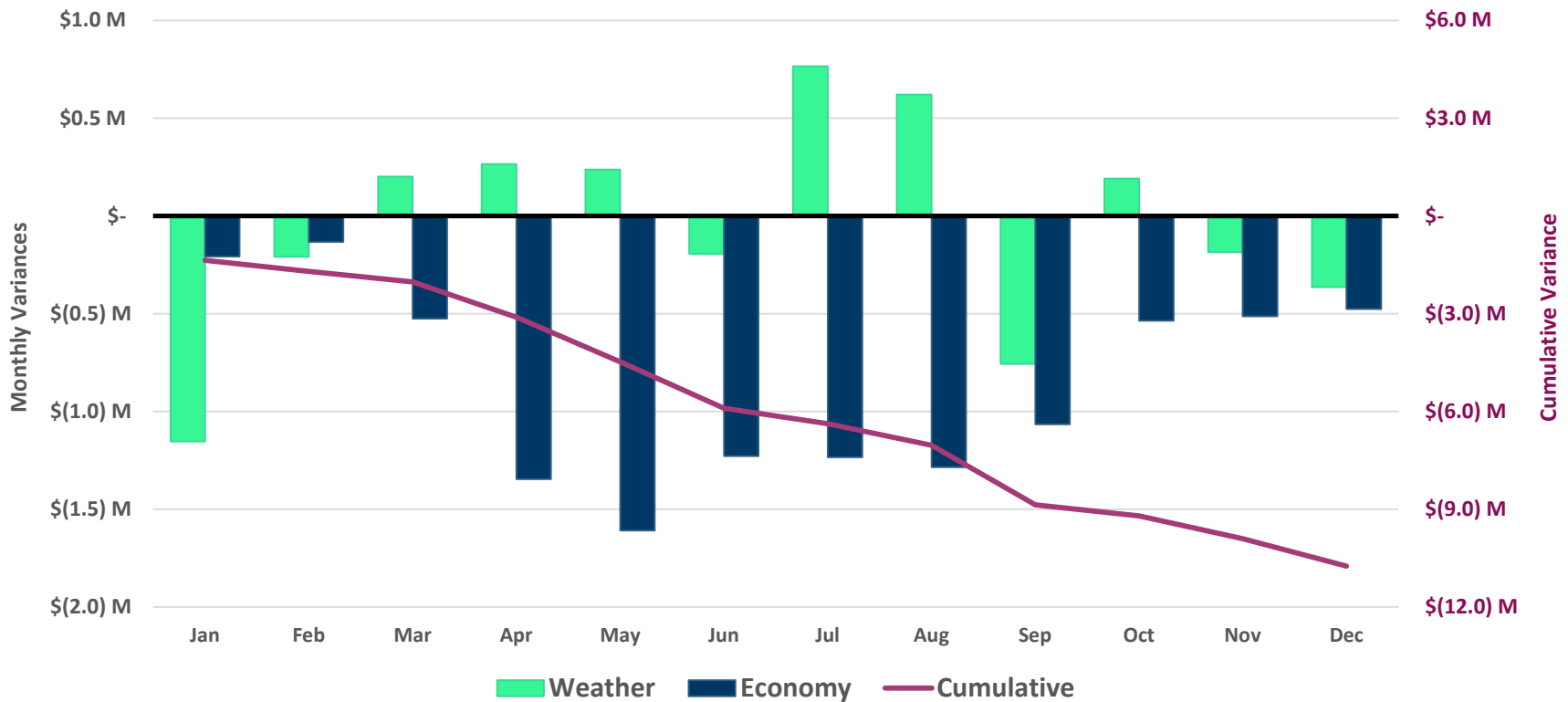


Charts may not foot due to rounding



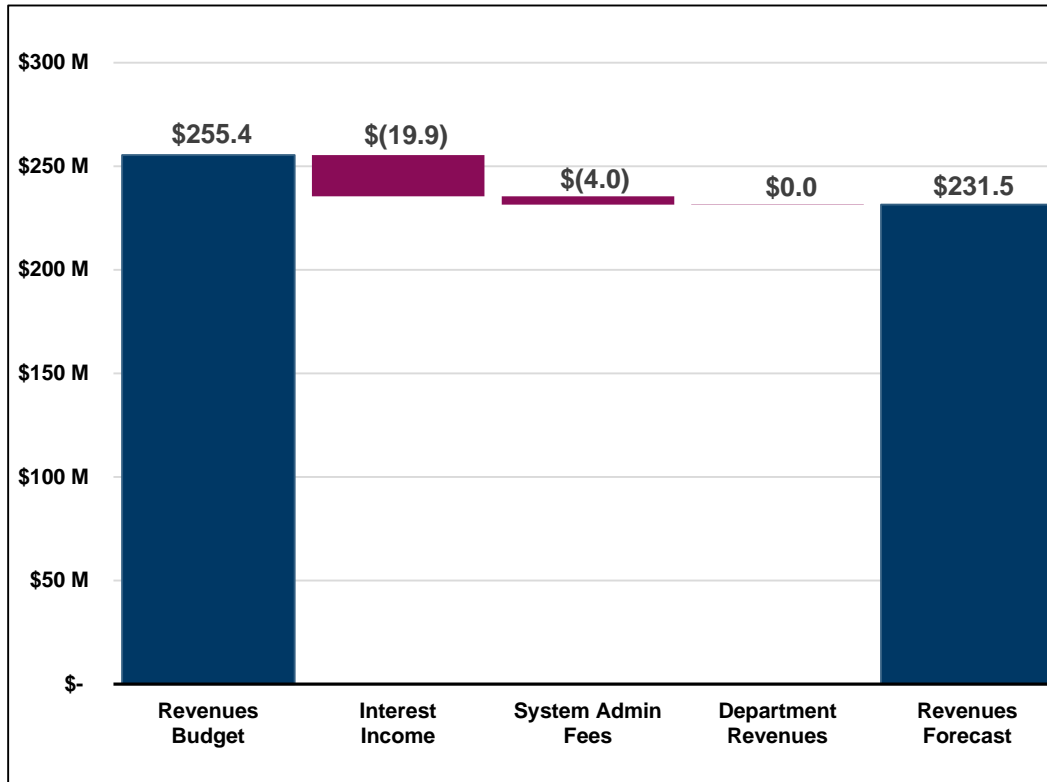
Review 2020 Financial Summary: 2020 System Administration Fee Variance to Budget (\$ in Millions)

- 2020 System Administration Fee Revenue was \$10.5 M under budget
- Approximately 95% of that variance was due to worse-than-expected economic conditions and 5% was due to milder-than-expected weather



Review 2020 Financial Summary: 2021 Revenue Variance to Budget (\$ in Millions)

Year-End Forecast Variance to Budget = \$(23.9) M



Interest Income Effective Yields

- 2021 Budget = 2.25%
- 2021 Forecast = 0.01%

System Administration Fees

- 2021 Forecast includes Moody's economic forecast which assumes COVID-19 vaccine will be widely distributed globally and adopted by summer 2021

Department Revenues

- 2021 Forecast assumes no variance for department revenues



Review 2020 Financial Summary: Statements of Financial Position

As of December 31, 2020 and 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
Assets		
Unrestricted cash	\$ 996.3	\$ 973.1
Bond investments	103.1	102.6
Total unrestricted cash and bond investments	<u>1,099.4</u>	<u>1,075.7</u>
Restricted cash	658.6	503.8
Other current assets	34.7	37.4
Other long-term assets	137.2	133.4
Total assets	<u>\$ 1,929.9</u>	<u>\$ 1,750.3</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 640.3	\$ 538.1
CRR auction liabilities-long term	377.0	359.3
Other market liabilities	49.0	153.9
Total market settlement liabilities	<u>1,066.3</u>	<u>1,051.3</u>
Security deposits	658.6	503.8
Other current liabilities	25.6	23.0
Other long-term liabilities	43.4	47.2
Net assets without donor restrictions	136.0	125.0
Total liabilities and net assets	<u>\$ 1,929.9</u>	<u>\$ 1,750.3</u>

Preliminary-Unaudited



Review 2020 Financial Summary: Statements of Activities and Net Assets

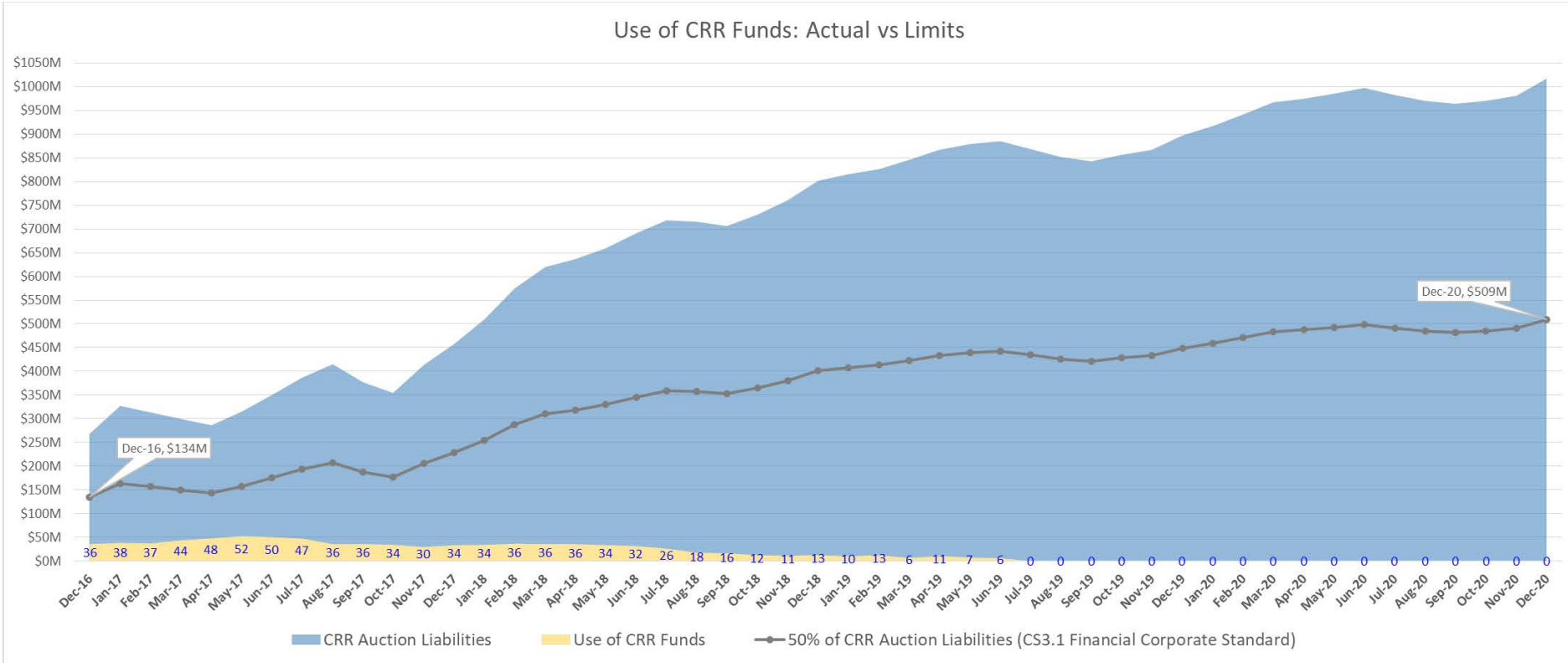
For the Twelve Months Ended December 31, 2020 and 2019 (\$ in Millions)

	2020	2019
Operating revenues	\$ 219.1	\$ 220.9
Operating expenses	210.9	204.7
Income from operations	8.2	16.2
Other income	2.8	18.5
Change in net assets without donor restrictions	11.0	34.7
Net assets without donor restrictions, beginning of year	125.0	90.3
Net assets without donor restrictions, end of period	\$ 136.0	\$ 125.0

Preliminary-Unaudited



Review 2020 Financial Summary: Use of CRR Funds: Actual vs Limits



As of December 31, 2020, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$33M.



Appendices

Electric Reliability Council of Texas, Inc. 2020 Financial Summary As of January 28, 2021 (\$ in Millions)						
2020 Preliminary Year End						
Line	2019	2020				
	Actual	Budget	Actual	Variance		
				\$	%	
1	System Administration Revenue	\$ 214.0	\$ 222.6	\$ 212.2	\$ (10.5)	(4.7)
2	Department Net Expenditures					
3	Chief Information Office	75.0	80.4	79.9	0.5	0.6
4	Chief Administrative Office	40.3	41.2	39.8	1.4	3.5
5	Grid Planning & Operations	30.4	33.8	32.7	1.0	3.1
6	Commercial Operations	15.2	16.0	16.2	(0.2)	(1.3)
7	External Affairs & Corporate Communications	6.3	7.1	6.4	0.7	9.5
8	General Counsel	5.0	5.9	5.4	0.6	9.8
9	Chief Executive Office	3.0	2.8	2.3	0.4	15.7
10	Project Funded Labor	(8.0)	(11.9)	(11.9)	0.0	0.1
11	Total Department Net Expenditures	167.2	175.2	170.7	4.5	2.6
12	Net Revenues After Department Expenditures	46.8	47.4	41.5	(6.0)	(12.6)
13						
14	Less: Project Expenditures	20.8	32.0	37.9	(5.9)	(18.6)
15	Less: Interest Expense	1.7	1.7	1.6	0.1	3.3
16	Add: Interest Income	20.4	20.0	4.3	(15.7)	(78.5)
17						
18	Net Available	\$ 44.6	\$ 33.7	\$ 6.2	\$ (27.6)	(81.7)
Note: Schedule may not foot due to rounding						

Electric Reliability Council of Texas, Inc.		
2020 Financial Summary Variance Explanations		
As of January 28, 2021		
Line	2020 Preliminary Year End	
1 System Administration Revenue	-\$10.0 M - Weaker economy -\$0.5 M - Weather	
3 Chief Information Office	+\$2.6 M - Contingent labor [Resource Management-Staffing Management] +\$0.6 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.4 M - Employee training and business travel +\$0.4 M - WAN revenues +\$0.2 M - Minor capital purchases -\$1.5 M - HW/SW support and maintenance renewals -\$0.9 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.6 M - Common infrastructure purchases -\$0.3 M - Professional services -\$0.3 M - WAN costs -\$0.1 M - Data service subscriptions	
4 Chief Administrative Office	+\$0.9 M - Professional services +\$0.5 M - Employee training and business travel +\$0.4 M - Electricity +\$0.4 M - Property tax +\$0.3 M - Minor capital purchases +\$0.1 M - Office supplies +\$0.1 M - Maintenance & repair +\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.6 M - Software -\$0.5 M - Cyber monitoring service -\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]	

Electric Reliability Council of Texas, Inc.	
2020 Financial Summary Variance Explanations	
As of January 28, 2021	
Line	2020 Preliminary Year End
5 Grid Planning & Operations	+\$1.1 M - Interconnection revenue +\$0.6 M - Employee training and business travel +\$0.3 M - Research studies +\$0.2 M - Black Start training expense +\$0.2 M - Software +\$0.2 M - Professional services +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Data service subscriptions -\$1.2 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
6 Commercial Operations	-\$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	+\$0.4 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.2 M - Media alerts +\$0.1 M - Employee training and business travel +\$0.1 M - Other miscellaneous -\$0.1 M - Contingent labor [Resource Management-Staffing Management]
8 General Counsel	+\$0.4 M - Outside legal services +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel +\$0.1 M - Data service subscriptions -\$0.1 M - Minor capital purchases
9 Chief Executive Office	+\$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel
10 Project Funded Labor	No material variance
14 Project Expenditures	-\$5.9 M - Primarily due to timing differences for Data Center 5.0 (DC5) and Real Time Co-optimization (RTC)
15 Interest Expense	+\$0.1 M - Use of revolver was not necessary
16 Interest Income	-\$15.7 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 December 31, 2020		Life to Date As of December 31, 2020		Estimate at Completion (EAC) As of January 28, 2021			
		Preliminary Actual	% of All Included Projects	Preliminary Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	Real Time Co-Optimization (RTC)	\$ 2.7	7%	\$ 2.7	5%	\$ 51.6	22%	\$ 51.6	\$ 0.0
2	Energy Management System (EMS) Upgrade 2024	3.3	9%	3.3	12%	27.1	12%	27.1	0.0
3	Battery Energy Storage (BES)	0.0	0%	0.0	0%	5.1	2%	5.1	0.0
4	NPRR863 ERCOT Contingency Reserve Service (ECRS)	0.0	0%	0.0	0%	1.2	1%	1.2	0.0
5	Distributed Generation Resources (DGR)	0.0	0%	0.0	0%	0.5	0%	0.5	0.0
6	Subtotal - Passport Program Projects	6.0	16%	6.0	7%	85.5	37%	85.5	0.0
7	Data Center 5.0 (DC5) Program	4.8	13%	4.8	10%	48.0	21%	48.0	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	4.4	12%	7.4	62%	11.9	5%	11.8	(0.0)
9	Enterprise Content Alignment Program (ECAP)	2.2	6%	5.8	61%	9.5	4%	9.5	0.0
10	Identity and Access Management (IAM)	0.1	0%	7.9	100%	7.9	3%	8.1	0.2
11	Credit Monitoring and Management (CMM) NPRRs	1.2	3%	6.6	87%	7.6	3%	7.3	(0.3)
12	Grid Geospatial (Grid Geo) Program	2.2	6%	6.9	97%	7.1	3%	6.9	(0.2)
13	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	4.7	12%	5.3	83%	6.3	3%	6.4	0.0
14	Retail Portfolio Refresh Program	2.3	6%	4.2	80%	5.3	2%	5.2	(0.1)
15	Reactive Power Coordination (RPC)	0.1	0%	0.2	4%	4.4	2%	4.4	0.0
16	Delivery Tool Chain Modernization	1.6	4%	1.6	48%	3.4	1%	3.4	0.0
17	Subtotal - Listed Projects	29.6	78%	56.8	29%	197.0	85%	196.6	(0.4)
18	Other Projects	8.3	22%	13.4	40%	33.5	15%	35.7	2.2
19	Total Project Expenditures	\$ 37.9	100%	\$ 70.2	30%	\$ 230.5	100%	\$ 232.3	\$ 1.9

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of December 31, 2020 and 2019**

(Dollars in Thousands)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 996,337	\$ 973,050
Accounts receivable	5,023	5,856
Unbilled revenue	2,607	2,517
Restricted cash and cash equivalents	658,559	503,809
Short-term investments	102,965	102,097
Prepaid expenses and other current assets	27,259	29,595
Total current assets	1,792,750	1,616,924
Property and equipment, net	109,356	114,497
Systems under development	27,271	18,874
Other Long Term Assets	571	-
Total assets	<u>\$ 1,929,948</u>	<u>\$ 1,750,295</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,472	\$ 2,135
Accrued liabilities	12,233	11,170
Deferred revenue	5,845	5,693
Market settlement liabilities	689,384	691,914
Security deposits	658,559	503,809
Notes payable, current portion	4,000	4,000
Total current liabilities	1,373,493	1,218,721
Long-term liabilities:		
Notes payable, less current portion:		
Principal	43,000	47,000
Less unamortized debt issuance costs	173	170
Notes payable less current portion and unamortized debt issuance costs	42,827	46,830
Long-term CRR liabilities	377,047	359,345
Other long-term liabilities	597	359
Total long-term liabilities	420,471	406,534
Total liabilities	1,793,964	1,625,255
Net assets without donor restrictions	135,984	125,040
Total liabilities and net assets	<u>\$ 1,929,948</u>	<u>\$ 1,750,295</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Twelve Months Ended December 31, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Operating revenues		
System administration fees	\$ 212,185	\$ 213,959
Other services revenue	6,878	6,908
Total operating revenues	219,063	220,867
Operating expenses		
Salaries and related benefits	119,094	115,124
Facility and equipment costs	9,457	9,527
Outside services	16,472	17,029
Hardware and software maintenance and licensing	29,107	26,634
Depreciation	30,142	29,016
Other	6,614	7,367
Total operating expenses	210,886	204,697
Income from operations	8,177	16,170
Other income (expense)		
Investment return, net	4,298	20,406
Interest expense	(1,542)	(1,744)
Non-operating income	11	(109)
Change in net assets without donor restrictions	10,944	34,723
Net assets without donor restrictions, beginning of year	125,040	90,317
Net assets without donor restrictions, end of period	<u>\$ 135,984</u>	<u>\$ 125,040</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Twelve Months Ended December 31, 2020 and 2019**

(Dollars in Thousands)

	2020	2019
Operating activities:		
Change in net assets without donor restrictions	\$ 10,944	\$ 34,723
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	30,142	29,016
Amortization of debt issuance costs	17	16
Amortization of bond (discount) premium	(100)	(1,089)
Net loss on capital assets	-	481
Changes in operating assets and liabilities:		
Accounts receivable	833	15
Unbilled revenue	(90)	619
Prepaid expenses and other assets	2,336	(1,803)
Other long-term assets	(571)	-
Other long-term liabilities	238	(67)
Accounts payable	1,282	33
Accrued liabilities	1,060	(139)
Deferred revenue	152	27
Security deposits	154,750	45,285
Market settlement liabilities	(2,530)	91,086
Long-term CRR liabilities	17,702	55,946
Net cash provided by operating activities	<u>216,165</u>	<u>254,149</u>
Investing activities:		
Purchase of Investments	(310,466)	(210,502)
Proceeds from Investments	309,698	209,437
Capital expenditures for property and equipment and systems under development	(33,340)	(22,095)
Net cash (used in) investing activities	<u>(34,108)</u>	<u>(23,160)</u>
Financing activities:		
Repayment of notes payable	(4,000)	(4,000)
Payment of debt issuance costs	(20)	-
Net cash (used in) financing activities	<u>(4,020)</u>	<u>(4,000)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	178,037	226,989
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	<u>1,476,859</u>	<u>1,249,870</u>
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 1,654,896</u>	<u>\$ 1,476,859</u>