



# Financial Summary

**ERCOT Board of Directors  
November 16, 2010**

**Mike Petterson  
Controller**

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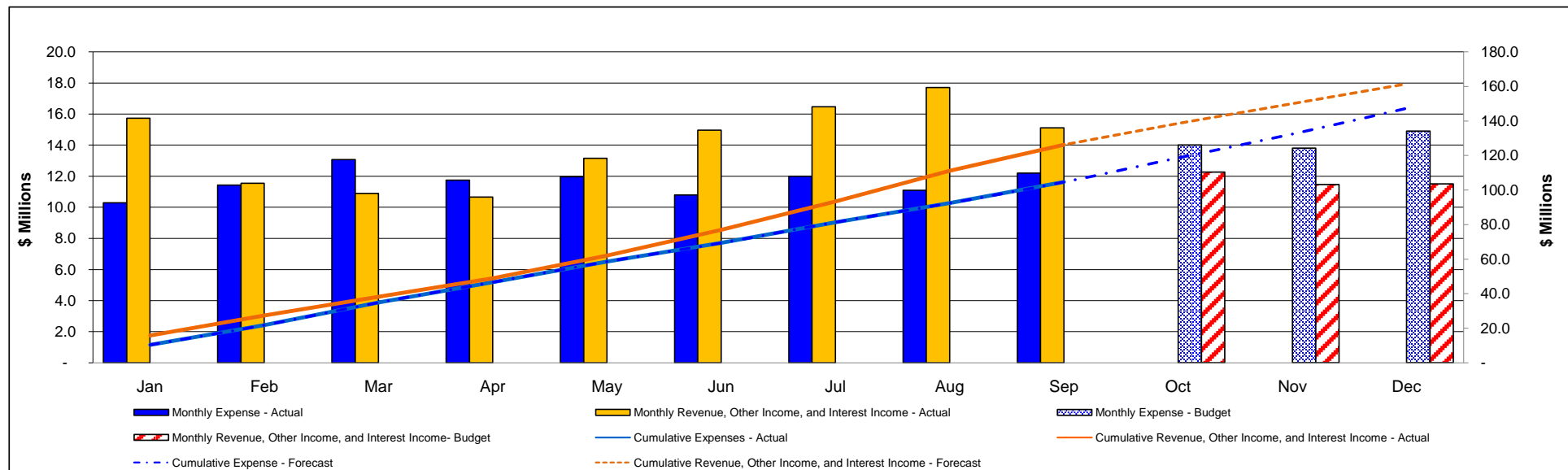
**ERCOT**

**Analysis of Adequacy of System Administration Fee - Year-End Forecast as of October 31, 2010**

**(\$ in Millions)**

	<b>Year-to-Date (As of 10.31.10)</b>			<b>Year-End Financial Forecast</b>		
	2010 Budget	2010 Actual	\$ Variance	2010 Budget	2010 Forecast	\$ Variance
	(\$ millions)			(\$ millions)		
<b>Revenues</b>						
System Administration Fee	111.3	114.0	2.7	130.5	131.4	0.9
Wide-area Network Fees	1.9	1.9	-	2.3	2.2	(0.1)
NERC Electric Reliability Organization Fee	5.9	5.9	-	8.3	8.3	-
Generation Interconnection Study Fees	0.5	0.3	(0.2)	0.6	0.3	(0.3)
Interest Income	0.1	-	(0.1)	0.1	-	(0.1)
Sales Tax Refund - Facility Construction Funding	10.7	10.7	-	12.8	12.8	-
2009 Carry forward for Facility Replacement & Expansion	2.0	2.0	-	2.4	2.4	-
Other Revenue	0.2	1.0	0.8	0.2	1.3	1.1
Recovery of an investment loss from The Reserve	-	3.4	3.4	-	3.4	3.4
Subtotal - Revenue	132.6	139.2	6.6	157.2	162.1	4.9
<b>Expenses (excluding depreciation)</b>						
Salary & Benefits	48.9	41.6	7.3	59.0	52.6	6.4
Outside Services	10.4	9.8	0.6	12.2	12.4	(0.2)
Hardware/Software Maintenance & Licenses	7.6	7.6	-	9.1	9.0	0.1
Facility & Equipment Costs	6.7	6.4	0.3	8.0	8.0	-
Other	5.7	5.0	0.7	6.8	6.3	0.5
Subtotal - Base Operating Expenses	79.3	70.4	8.9	95.1	88.3	6.8
NERC Electric Reliability Organization Expenses	5.9	5.9	-	8.3	8.3	-
Texas RE Protocol Services	1.3	0.6	0.7	1.5	0.8	0.7
Principal Repayment	21.8	21.8	-	26.1	26.1	-
Interest Payments	4.4	2.1	2.3	5.3	2.5	2.8
Revenue-Funded Project Expenditures (40%)	17.4	17.6	(0.2)	20.9	21.9	(1.0)
Subtotal - Expenses	130.1	118.4	11.7	157.2	147.9	9.3
<b>Excess/(Deficit) of Revenue Over Expenses</b>	<b>2.5</b>	<b>20.8</b>	<b>18.3</b>	<b>-</b>	<b>14.2</b>	<b>14.2</b>

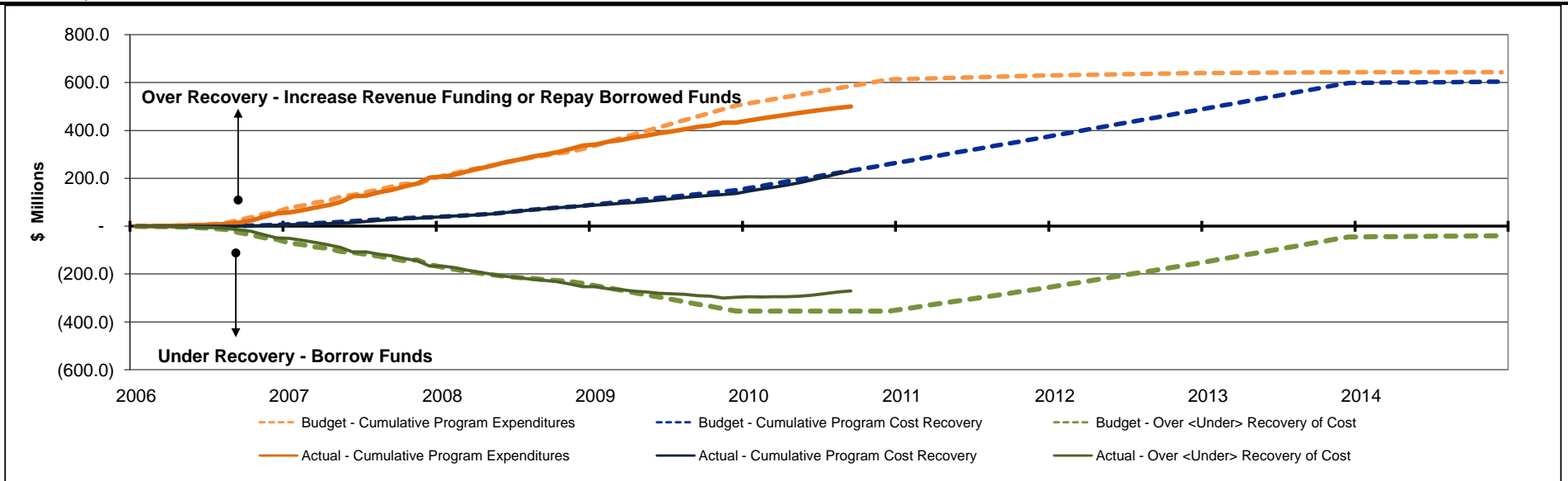
Electric Reliability Council of Texas, Inc.  
 Base Operations  
 Analysis of Adequacy of System Administration Fee  
 For the Nine Months Ended September 30, 2010  
 (\$ in Millions)



2010

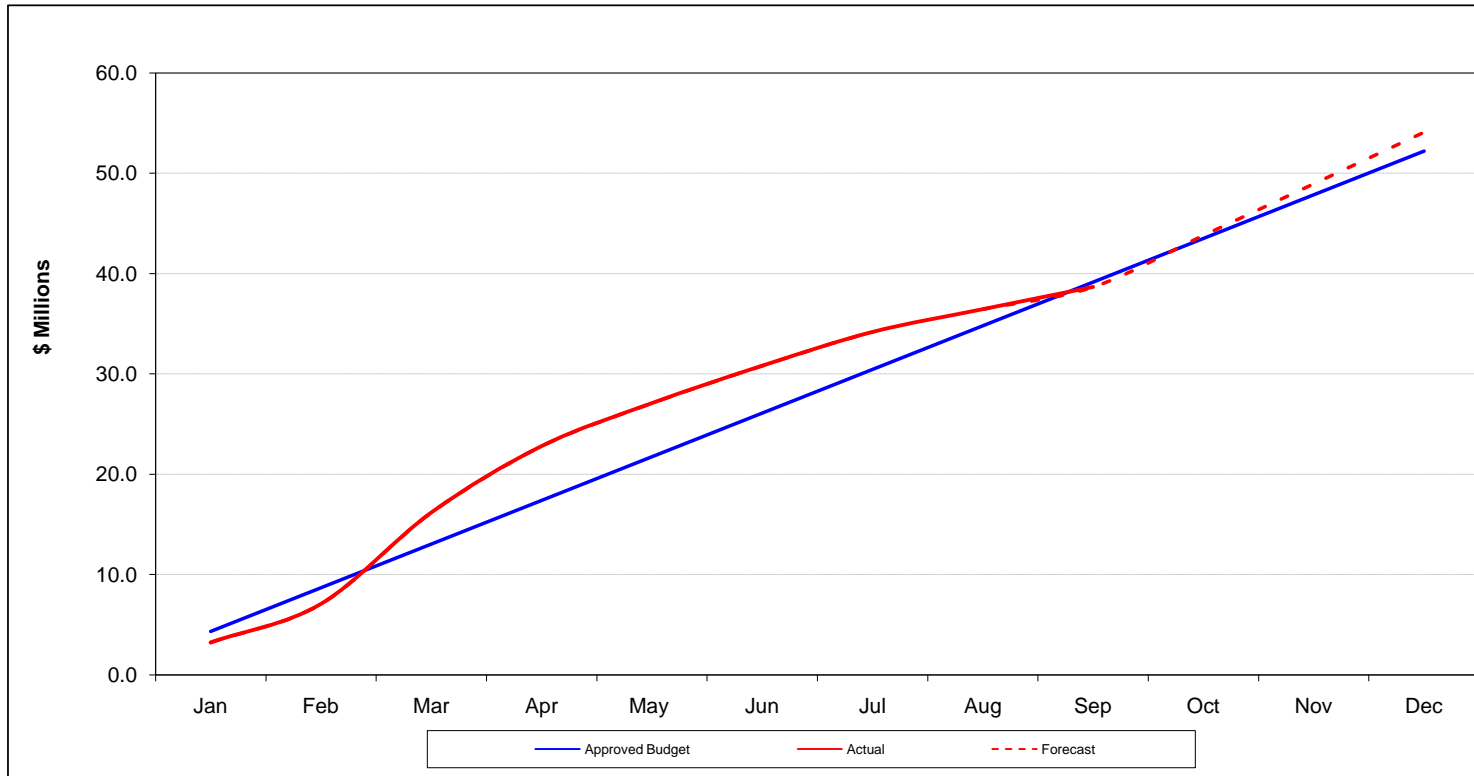
	Actual									Forecast			Annual		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Forecast	Original Budget	Var-\$
<b>Revenue</b>															
System Administration Fee	10.9	9.9	9.2	8.8	11.5	13.2	13.5	15.0	12.0	9.5	8.6	8.9	131.0	130.5	0.5
Wide-area Network Fees	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	2.2	2.3	(0.1)
NERC Electric Reliability Organization Fee	0.2	0.2	0.2	0.2	0.2	0.2	1.2	1.2	1.2	1.2	1.2	1.1	8.3	8.3	-
Generation Interconnection Study Fees	-	-	-	0.1	-	-	0.1	-	-	-	0.1	-	0.3	0.6	(0.3)
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	(0.1)
Sales Tax Refund funding Facility Construction	1.0	1.0	1.2	1.1	1.0	1.1	1.1	1.0	1.1	1.1	1.1	1.0	12.8	12.8	-
2009 Carry forward for Facility Replacement & Expansion	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.4	2.4	-
Other Revenue	-	0.1	-	0.1	0.1	0.1	-	0.1	0.4	0.1	0.1	0.2	1.3	0.2	1.1
Recovery of an investment loss from The Reserve	3.2	-	-	-	-	-	0.2	-	-	-	-	-	3.4	-	3.4
<b>Subtotal - Revenue</b>	<b>15.7</b>	<b>11.6</b>	<b>10.9</b>	<b>10.7</b>	<b>13.2</b>	<b>15.0</b>	<b>16.5</b>	<b>17.7</b>	<b>15.1</b>	<b>12.3</b>	<b>11.5</b>	<b>11.5</b>	<b>161.7</b>	<b>157.2</b>	<b>4.5</b>
<b>Expenses</b>															
Base Operating Expenses (excluding depreciation)	6.4	7.2	6.9	6.5	7.7	6.8	7.1	6.3	7.6	8.3	8.0	9.2	88.0	95.1	7.1
NERC Electric Reliability Organization Expenses	0.2	0.2	0.2	0.2	0.2	0.2	1.2	1.2	1.2	1.2	1.2	1.1	8.3	8.3	-
Protocol Services	-	0.1	0.1	-	-	0.1	0.1	0.1	-	0.1	0.1	0.1	0.8	1.5	0.7
Principal Repayment	2.2	2.2	2.1	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2	2.1	26.1	26.1	-
Interest Payments	0.2	0.2	0.1	0.2	0.2	-	0.1	0.4	0.3	0.2	0.3	0.3	2.5	5.3	2.8
Revenue-Funded Project Expenditures	1.3	1.5	3.7	2.6	1.7	1.5	1.4	0.9	0.9	2.0	2.0	2.1	21.6	20.9	(0.7)
<b>Subtotal - Expenses</b>	<b>10.3</b>	<b>11.4</b>	<b>13.1</b>	<b>11.7</b>	<b>12.0</b>	<b>10.8</b>	<b>12.0</b>	<b>11.1</b>	<b>12.2</b>	<b>14.0</b>	<b>13.8</b>	<b>14.9</b>	<b>147.3</b>	<b>157.2</b>	<b>9.9</b>
<b>Excess of Revenue Over Expenses</b>	<b>5.4</b>	<b>0.2</b>	<b>(2.2)</b>	<b>(1.0)</b>	<b>1.2</b>	<b>4.2</b>	<b>4.5</b>	<b>6.6</b>	<b>2.9</b>	<b>(1.7)</b>	<b>(2.3)</b>	<b>(3.4)</b>	<b>14.4</b>	<b>-</b>	<b>14.4</b>

Electric Reliability Council of Texas, Inc.  
 Nodal Program  
 Summary of Expenditures and Surcharge Income  
 As of September 30, 2010  
 (\$ in Millions)



	Dec-2006	Dec-2007	Dec-2008	Dec-2009	Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Budget - Cumulative Program Expenditures	60.1	195.7	323.4	504.5	613.2	629.9	640.0	643.7	643.8
Budget - Cumulative Program Cost Recovery	5.2	35.9	85.1	150.2	259.1	370.3	483.9	599.0	604.1
Budget - Over <Under> Recovery of Cost	(54.9)	(159.8)	(238.3)	(354.2)	(354.2)	(259.6)	(156.1)	(44.6)	(39.7)
Actual - Cumulative Program Expenditures	53.3	203.7	337.0	433.6	500.4	-	-	-	-
Actual - Cumulative Program Cost Recovery	4.5	36.6	84.3	136.4	229.9	-	-	-	-
Actual - Over <Under> Recovery of Cost	(48.8)	(167.1)	(252.7)	(297.2)	(270.5)	-	-	-	-

Electric Reliability Council of Texas, Inc.  
 Base Operations Project Expenditures  
 Comparison of Budget vs. Actual  
 For the Nine Months Ended September 30, 2010  
 (\$ in Millions)



	2010 Budget	YTD Actual	% Spent
Information Technology Operations	49.6	35.1	70%
Corporate Operations	2.6	1.6	60%
Retail Operations	1.9	1.3	70%
Market Operations	1.3	0.6	41%
System Operations	0.1	0.1	54%
<b>Subtotal</b>	<b>55.5</b>	<b>38.7</b>	<b>70%</b>

Notes:  
 1. Approved Budget has been spread evenly across the months.  
 2. Approved Budget includes carry forward from 2009 of \$5.9 Million for the Facility Replacement & Expansion project.

Electric Reliability Council of Texas, Inc.  
 Projects - Preliminary Summary Budget to Actual Comparison  
 For the Month Ended September 30, 2010  
 (\$ in Thousands)

		2010 Annual Budget Estimates with YTD Actuals				Total Approved Budget & Inception to Date Actuals			
Program Area	Capital Project Description	Project #	Budget	Actual	% of Budget Spent	Budget	Actual	\$ Var Fav / (Unfav)	% Var Fav / (Unfav)
CO	2010 Minor Capital	99910	1,435.0	1,043.0	73%	1,435.0	1,043.0	392.0	27%
CO	Enterprise Records Management Automation (ERMA)	10031	790.0	254.3	32%	800.0	254.3	545.7	68%
CO	Physical Security Biometrics Update	10028	167.9	116.4	69%	167.9	116.4	51.6	31%
CO	Corporate Document Management (Enterprise)	60029	119.9	60.5	50%	334.5	305.9	28.6	9%
CO	Taylor Facility/Data Center Expansion	80047	81.7	64.4	79%	200.0	186.0	14.0	7%
CO	Identity & Access Management	60075	23.4	22.7	97%	2,765.0	2,720.1	44.9	2%
CO	Budgeting Tool	40029	15.4	9.4	61%	330.1	324.2	5.9	2%
CO	Critical Area Notification & Isolation	70014	9.3	8.7	94%	184.0	184.0	0.0	0%
Subtotal - Corporate Operations			2,642.6	1,579.5	60%	6,216.5	5,133.9	1,082.6	17%
IO	Facility Replacement & Expansion	80001	37,600.0	30,903.2	82%	69,600.0	46,131.9	23,468.1	34%
IO	Telecom Equipment	10015	4,085.0	1,068.4	26%	6,151.5	1,071.8	5,079.7	83%
IO	Network Gear	10016	3,750.0	2,284.5	61%	5,850.0	2,285.8	3,564.2	61%
IO	P-Series Upgrade	10011	3,340.0	34.8	1%	18,450.0	36.3	18,413.7	100%
IO	Annual Growth Storage	10018	565.0	390.6	69%	565.0	390.6	174.4	31%
IO	Infrastructure Monitoring Enhancement	90009	173.8	192.8	111%	694.0	624.8	69.2	10%
IO	Monitoring & Reporting Tools	90010	127.3	114.8	90%	292.0	279.6	12.4	4%
IO	Tier 1 Storage	10010	95.0	46.9	49%	14,750.0	47.4	14,702.6	100%
IO	Virtual Tape (Tier 4)	10014	35.0	23.2	66%	2,400.0	23.2	2,376.8	99%
IO	Windows/Linux Servers	10013	20.0	36.5	183%	4,480.0	36.8	4,443.2	99%
IO	Spectel Server Replacement	90003	11.0	9.4	85%	500.0	480.4	19.6	4%
Subtotal - Information Technology Operations			49,802.1	35,105.2	70%	123,732.5	51,408.5	72,324.0	58%
MO	Information Lifecycle Management	90006	1,216.6	619.1	51%	1,963.0	1,365.5	597.5	30%
MO	Settlement System Upgrade	10052	244.0	13.3	5%	5,554.1	13.3	5,540.8	100%
MO	Data Aggregation Performance Improvements	10055	75.7	3.4	4%	500.0	3.4	496.6	99%
Subtotal - Market Operations			1,536.3	635.8	41%	8,017.1	1,382.2	6,634.9	83%
RO	Data Research & Reporting	50088	1,279.5	965.4	75%	3,565.0	2,520.5	1,044.5	29%
RO	POLR Rule & Expedited Switch	90024	356.0	195.6	55%	867.6	624.9	242.6	28%
RO	Advanced Meter Flag in MIS Database	90011	85.1	46.5	55%	86.0	47.3	38.7	45%
RO	Advance Metering - Interim Settlement Solution	80027	49.8	35.0	70%	1,614.3	1,569.5	44.7	3%
RO	Retail Application Upgrades	80031	17.9	17.7	99%	580.7	561.9	18.8	3%
RO	Multi-tier REC	10051	5.0	0.7	13%	300.0	0.7	299.4	100%
Subtotal - Retail Operations			1,793.3	1,260.9	70%	7,013.5	5,324.8	1,688.7	24%

Electric Reliability Council of Texas, Inc.  
 Projects - Preliminary Summary Budget to Actual Comparison  
 For the Month Ended September 30, 2010  
 (\$ in Thousands)

Program Area	Capital Project Description	Project #	2010 Annual Budget Estimates with YTD Actuals			Total Approved Budget & Inception to Date Actuals			
			Budget	Actual	% of Budget Spent	Budget	Actual	\$ Var Fav / (Unfav)	% Var Fav / (Unfav)
SO	Improvements to VSA/DSA Phase II	50029	75.0	47.3	63%	950.4	905.5	44.9	5%
SO	Large Wind Power Production Ramp Forecasting	90002	75.0	34.3	46%	178.2	155.6	22.6	13%
	Subtotal - System Operations		150.0	81.6	54%	1,128.7	1,061.2	67.5	6%
	<b>Grand Total Allocated 2010 Capital Budget</b>		<b>\$ 55,924.3</b>	<b>\$ 38,663.0</b>	69%	<b>\$ 146,108.3</b>	<b>\$ 64,310.6</b>	<b>\$ 81,797.8</b>	56%
	<b>Grand Total 2010 Capital Budget</b>		<b>\$ 55,485.0</b>	<b>\$ 38,663.0</b>	70%				

Notes:

1. Budget Allocation

	Original	Adjustments	Total
Corporate Operations	\$ 33,800.0	\$ (31,215.0)	\$ 2,585.0
		40,600.0	49,550.0
Information Technology Operations	8,950.0		
Retail Operations	1,900.0	-	1,900.0
Market Operations	1,500.0	(200.0)	1,300.0
System Operations	150.0	-	150.0
	<b>\$ 46,300.0</b>	<b>\$ 9,185.0</b>	<b>\$ 55,485.0</b>

(Includes \$5.9M of Facility Replacement and Expansion carryover funds from 2009 and \$3.3M acceleration of Data Center equipment)

2. Schedule excludes Nodal projects funded via Nodal Surcharge.

3. Total Approved Budget and Inception to Date Actuals exclude inactive projects and projects closed in prior years.



**Electric Reliability Council of Texas, Inc.**  
**Statements of Financial Position**  
**As of September 30, 2010 and 2009**  
**(\$ in Thousands)**

	Notes	2010	2009
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 34,337	\$ 9,665
Accounts receivable		11,904	5,170
Unbilled revenue		10,039	10,248
Restricted cash	(a)	130,183	161,700
Prepaid expenses and other current assets		15,145	10,931
Total current assets		201,608	197,714
Property and equipment, net		131,644	108,541
Systems under development		353,608	299,710
Debt issuance cost		502	705
Total assets		\$ 687,362	\$ 606,670
<b>Liabilities and Unrestricted Net Assets</b>			
Current liabilities:			
Accounts payable		9,130	3,143
Accrued liabilities		17,187	16,892
Deferred revenue		3,609	2,333
Market settlement liabilities	(b)	59,795	50,456
Security deposits	(a)	130,183	161,700
Regulatory liabilities, current portion		-	1,771
Notes payable, current portion		128,970	39,637
Total current liabilities		348,874	275,932
Notes payable		182,571	267,041
Derivative liability		12,044	14,108
Regulatory liability-Texas RE		-	429
Regulatory liability-Nodal		101,341	30,096
Other long term liabilities		271	1,135
Total liabilities		645,101	588,741
Unrestricted net assets		42,261	17,929
Total liabilities and unrestricted net assets		\$ 687,362	\$ 606,670

**Notes:**

(a) Restricted cash is comprised of QSE and TCR security deposits held by ERCOT as reflected in liabilities account for security deposits.

(b) Primarily the net TCR auction revenue receipts and advance QSE settlement receipts.

**Electric Reliability Council of Texas, Inc.**  
**Statements of Activities**  
**For the Nine Months Ended September 30, 2010 and 2009**  
**(\$ in Thousands)**

	<u>2010</u>	<u>2009</u>
Operating revenues		
System administration fees	\$ 104,002	\$ 99,851
Nodal implementation surcharge	93,505	40,482
Reliability organization pass-through	8,641	5,074
Generation interconnection	248	430
Membership fees and other	2,607	2,236
Total operating revenue	<u>209,003</u>	<u>148,073</u>
Operating expenses		
Salaries and related benefits	39,600	43,437
Depreciation	17,727	22,605
Facility and equipment costs	6,344	6,006
Consulting and legal services	9,723	9,327
Administrative and other	9,636	6,242
Hardware and software maintenance and licensing	6,764	7,306
Amortization of regulatory asset	93,505	40,482
Total operating expenses	<u>183,299</u>	<u>135,405</u>
Income from operations	25,704	12,668
Other income (expense)		
Interest income	5	3,501
Interest expense	(1,736)	(3,085)
Change in valuation of interest rate swap	689	644
Non-operating income	3,631	19,938
Change in unrestricted net assets before deferred pension costs and distribution of net assets	<u>28,293</u>	<u>33,666</u>
Deferred pension costs	12	13
Distribution of net assets- Texas RE	(1,034)	-
Change in unrestricted net assets	<u>27,271</u>	<u>33,679</u>
Unrestricted net assets (deficit), beginning of year	14,990	(15,750)
Unrestricted net assets, end of period	<u>\$ 42,261</u>	<u>\$ 17,929</u>

**Electric Reliability Council of Texas, Inc.**  
**Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2010 and 2009**  
**(\$ in Thousands)**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Change in unrestricted net assets	\$ 27,271	\$ 33,679
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	17,727	22,605
Amortization of debt issuance costs	149	190
Change in valuation of interest rate swap	(689)	(644)
Net losses on disposition or impairment of capital assets	(40)	27
Changes in operating assets and liabilities:		
Accounts receivable	(3,095)	(826)
Unbilled revenue	(3,449)	(579)
Prepaid expenses and other assets	(2,105)	5,725
Other long-term liabilities	(1,455)	451
Regulatory liability - Nodal	73,383	26,902
Accounts payable	3,488	(5,050)
Accrued liabilities	4,561	279
Deferred revenue	(661)	624
Regulatory liability - Texas RE	(1,736)	(895)
Net cash provided by operating activities	<u>113,349</u>	<u>82,488</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(85,292)	(85,074)
Proceeds from sale of property and equipment	11	15
Net cash used in investing activities	<u>(85,281)</u>	<u>(85,059)</u>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(53,137)	(34,237)
Decrease in restricted cash	2,148	63,597
Decrease in market settlement liabilities	(19,409)	(75,097)
Decrease in security deposits	(2,148)	(63,597)
Net cash provided by financing activities	<u>(72,546)</u>	<u>(109,334)</u>
Net change in cash and cash equivalents	(44,478)	(111,905)
Cash and cash equivalents, beginning of year	78,815	121,570
Cash and cash equivalents, end of period	<u>\$ 34,337</u>	<u>\$ 9,665</u>

**Electric Reliability Council of Texas, Inc.**  
**Summary of Outstanding Debt Balances**  
**For the Nine Months Ended October 31, 2010**  
**(\$ in Millions)**

At September 30, 2010, Revolver borrowing was \$44.5 million. ERCOT borrowed \$24.5 million from TCR receipts to meet short-term liquidity needs in accordance with the Financial Corporate Standard. Available credit capacity as of September 30th was \$156.0 million.

**Debt Summary Schedule**  
**as of 9/30/10**  
**(\$ in Millions)**

	Capacity	Outstanding	Available
Senior Notes (1)	54.5	54.5	-
Term Loan (2)	212.5	212.5	-
Revolver	225.0	44.5	180.5
<b>Total</b>	<b>492.0</b>	<b>311.5</b>	<b>180.5</b>
TCR borrowing		24.5	(24.5)
<b>Total including TCR borrowings</b>		<b>336.0</b>	<b>156.0</b>

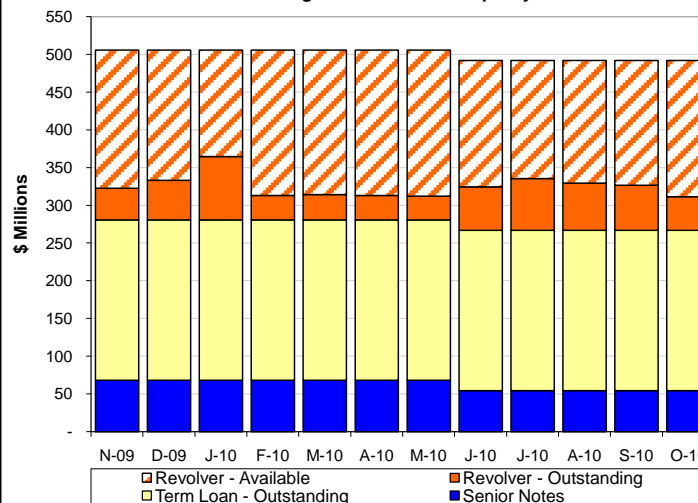
  

Outstanding Debt Components:	\$	%
Fixed Rate Debt	294.5	87.7
Floating Rate Debt (3)	41.5	12.3

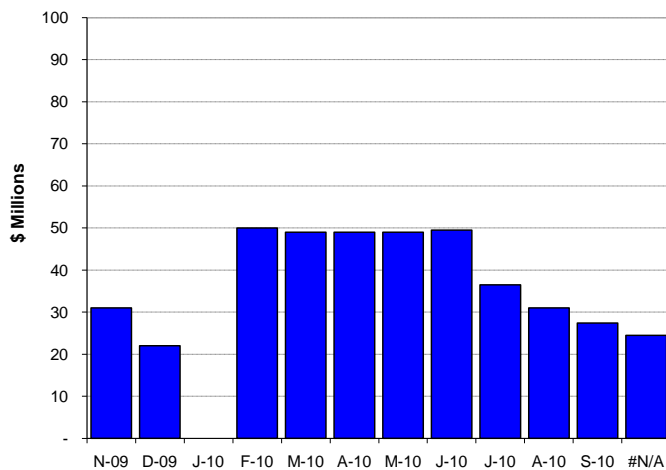
**Notes:**

- \$13.7M annual payment due May 15<sup>th</sup> was made timely.
- \$70.8 M annual payment due in November.
- Funds borrowed from TCR Revenues are included as floating rate debt. A change in interest rates by 25 basis points would increase or decrease interest expense by \$42.5K per year on the outstanding floating rate debt (excluding TCR borrowings).
- ERCOT issuer rating is Aa3 by Moody's Investors Service.

**Outstanding Debt & Available Capacity**



**TCR Borrowings**



**Required Maturity Profile - Existing Senior & Term Notes**

