



# Financial Summary

**ERCOT Board of Directors  
December 14, 2010**

**Mike Petterson  
Controller**

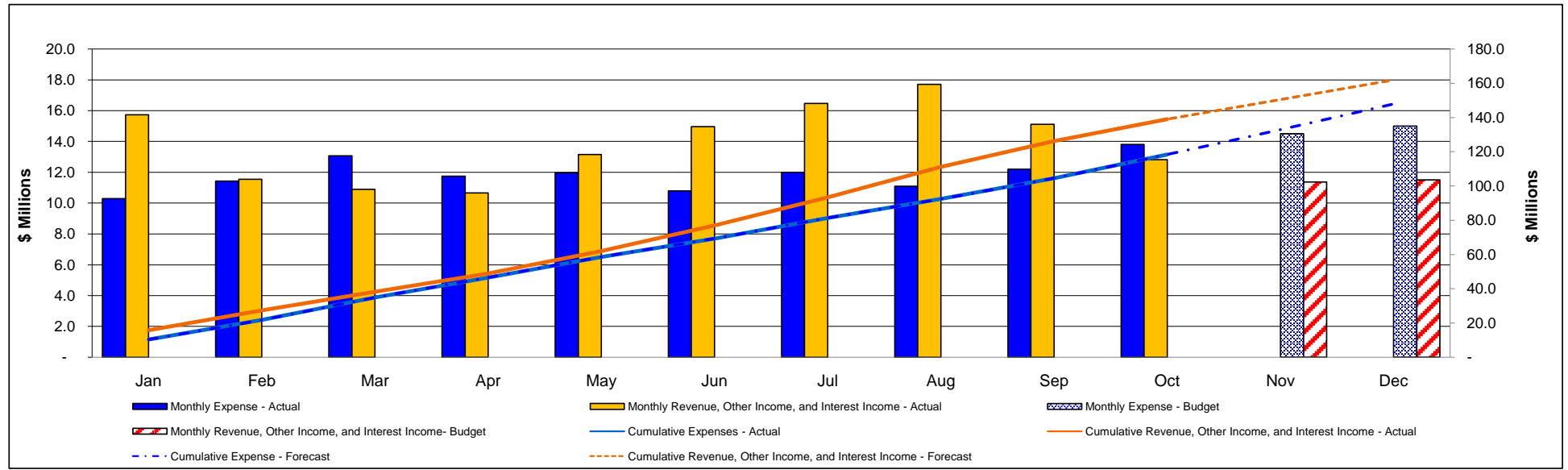
## Monthly Financial Summary Table of Contents

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**ERCOT**
**Analysis of Adequacy of System Administration Fee - Year-End Forecast as of October 31, 2010**
**(\$ in Millions)**

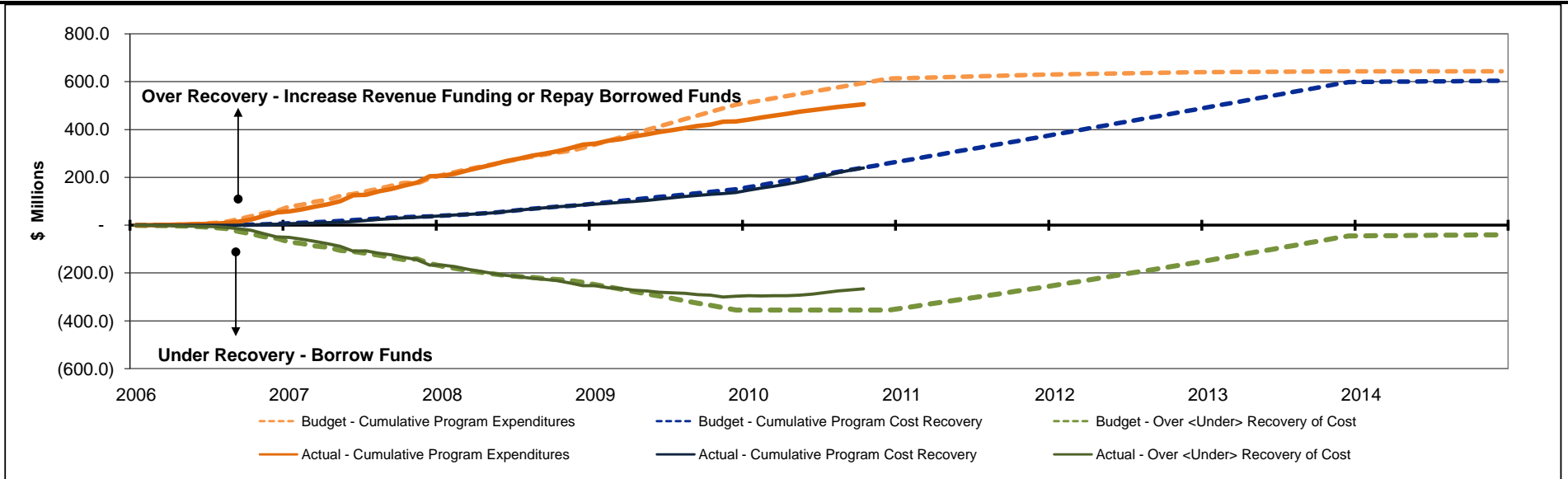
	<b>Year-to-Date (As of 10.31.10)</b>			<b>Year-End Financial Forecast</b>		
	2010 Budget	2010 Actual	\$ Variance	2010 Budget	2010 Forecast	\$ Variance
<b>Revenues</b>	(\$ millions)			(\$ millions)		
System Administration Fee	111.3	114.0	2.7	130.5	132.4	1.9
Wide-area Network Fees	1.9	1.9	-	2.3	2.2	(0.1)
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	1.5	1.3
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	163.3	6.1
<b>Expenses (excluding depreciation)</b>						
Salary & Benefits	48.9	41.6	7.3	59.0	52.9	6.1
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	88.6	6.5
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	2.8	2.5
Revenue-Funded Project Expenditures (40%)	17.4	17.6	(0.2)	20.9	27.9	(7.0)
Subtotal - Expenses	130.1	118.4	11.7	157.2	154.5	2.7
<b>Excess/(Deficit) of Revenue Over Expenses</b>	<b>2.5</b>	<b>20.8</b>	<b>18.3</b>	<b>-</b>	<b>8.8</b>	<b>8.8</b>

Electric Reliability Council of Texas, Inc.  
Base Operations  
Analysis of Adequacy of System Administration Fee  
For the Ten Months Ended October 31, 2010  
(\$ in Millions)



2010															
	Actual										Forecast		Annual		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Forecast	Original Budget	Var-\$
Revenue															
System Administration Fee	10.9	9.9	9.2	8.8	11.5	13.2	13.5	15.0	12.0	10.0	8.6	8.8	131.4	130.5	0.9
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	1.1	1.2	1.2	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
Subtotal - Revenue	15.7	11.6	10.9	10.7	13.2	15.0	16.5	17.7	15.1	12.8	11.4	11.5	162.1	157.2	4.9
Expenses															
Base Operating Expenses (excluding depreciation)	6.4	7.2	6.9	6.5	7.7	6.8	7.1	6.3	7.6	7.9	8.5	9.4	88.3	95.1	6.8
NERC Electric Reliability Organization Expenses	0.2	0.2	0.2	0.2	0.2	0.2	1.2	1.2	1.2	1.1	1.2	1.2	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	0.4	0.2	0.2	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	2.1	2.3	2.0	21.9	20.9	(1.0)
Subtotal - Expenses	10.3	11.4	13.1	11.7	12.0	10.8	12.0	11.1	12.2	13.8	14.5	15.0	147.9	157.2	9.3
Excess of Revenue Over Expenses	5.4	0.2	(2.2)	(1.0)	1.2	4.2	4.5	6.6	2.9	(1.0)	(3.1)	(3.5)	14.2	-	14.2

Electric Reliability Council of Texas, Inc.  
Nodal Program  
Summary of Expenditures and Surcharge Income  
As of October 31, 2010  
(\$ in Millions)

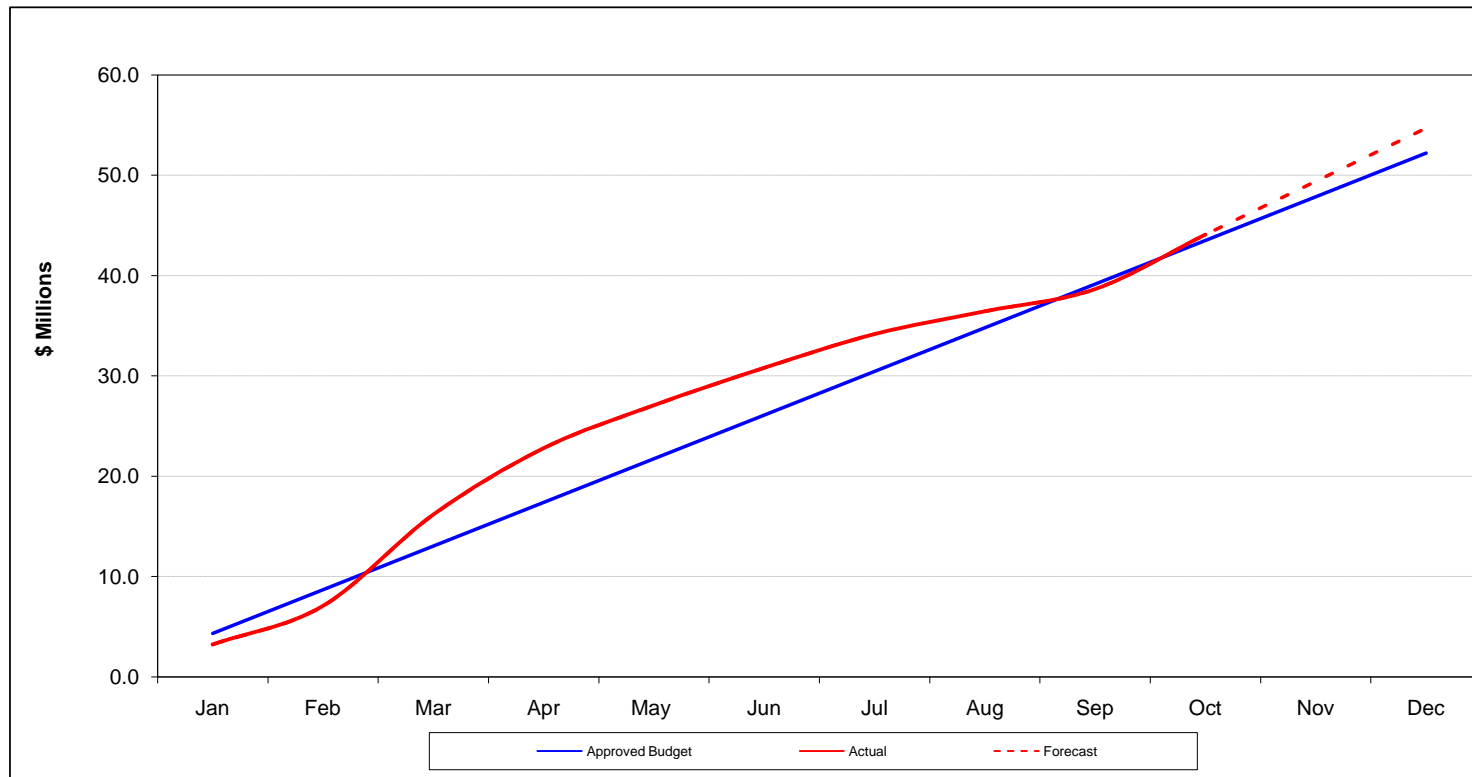


	Dec-2006	Dec-2007	Dec-2008	Dec-2009	Dec-2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Budget - Cumulative Program Expenditures	60.1	195.7	323.4	504.5	613.2	629.9	640.0	643.7	643.8
Budget - Cumulative Program Cost Recovery	5.2	35.9	85.1	150.2	259.1	370.3	483.9	599.0	604.1
Budget - Over <Under> Recovery of Cost	(54.9)	(159.8)	(238.3)	(354.2)	(354.2)	(259.6)	(156.1)	(44.6)	(39.7)

	Dec-2006	Dec-2007	Dec-2008	Dec-2009	LTD - 2010	Dec-2011	Dec-2012	Dec-2013	Dec-2014
Actual - Cumulative Program Expenditures	53.3	203.7	337.0	433.6	505.5	-	-	-	-
Actual - Cumulative Program Cost Recovery	4.5	36.6	84.3	136.4	238.9	-	-	-	-
Actual - Over <Under> Recovery of Cost	(48.8)	(167.1)	(252.7)	(297.2)	(266.6)	-	-	-	-

Electric Reliability Council of Texas, Inc.  
Base Operations Project Expenditures  
Comparison of Budget vs. Actual  
For the Ten Months Ended October 31, 2010  
(\$ in Millions)



	2010 Budget	YTD Actual	% Spent
Information Technology Operations	49.6	40.3	81%
Corporate Operations	2.6	1.7	64%
Retail Operations	1.9	1.3	73%
Market Operations	1.3	0.7	46%
System Operations	0.1	0.1	54%
<b>Subtotal</b>	<b>55.5</b>	<b>44.1</b>	<b>79%</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 October 31, 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	1,049.8	73%	1,435.0	1,049.8	385.2	27%
CO	Enterprise Records Management Automation (ERMA)	10031	790.0	324.8	41%	800.0	324.8	475.2	59%
CO	Physical Security Biometrics Update	10028	167.9	144.0	86%	167.9	144.0	23.9	14%
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	1,684.4	64%	6,216.5	5,238.9	977.7	16%
IO	Facility Replacement & Expansion	80001	37,600.0	32,217.9	86%	69,600.0	47,446.6	22,153.4	32%
IO	Telecom Equipment	10015	4,085.0	1,445.1	35%	6,151.5	1,448.4	4,703.1	76%
IO	Network Gear	10016	3,750.0	2,554.8	68%	5,850.0	2,556.1	3,293.9	56%
IO	P-Series Upgrade	10011	3,364.4	3,261.9	97%	18,450.0	3,263.3	15,186.7	82%
IO	Annual Growth Storage	10018	565.0	405.0	72%	565.0	405.0	160.0	28%
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	53.6	56%	14,750.0	54.1	14,695.9	100%
IO	Virtual Tape (Tier 4)	10014	35.0	25.3	72%	2,400.0	25.3	2,374.7	99%
IO	Windows/Linux Servers	10013	20.0	43.7	218%	4,480.0	43.9	4,436.1	99%
IO	Spectel Server Replacement	90003	11.0	9.4	85%	500.0	480.4	19.6	4%
Subtotal - Information Technology Operations			49,826.5	40,324.2	81%	123,732.5	56,627.6	67,104.9	54%
MO	Information Lifecycle Management	90006	1,216.6	646.9	53%	1,963.0	1,393.3	569.7	29%
MO	Settlement System Upgrade	10052	244.0	51.9	21%	5,554.1	51.9	5,502.2	99%
MO	Data Aggregation Performance Improvements	10055	75.7	10.2	13%	500.0	10.2	489.8	98%
Subtotal - Market Operations			1,536.3	709.1	46%	8,017.1	1,455.4	6,561.7	82%
RO	Data Research & Reporting	50088	1,279.5	1,005.3	79%	3,565.0	2,560.4	1,004.6	28%
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	1,300.8	73%	7,013.5	5,364.7	1,648.8	24%

Electric Reliability Council of Texas, Inc.  
 Projects - Preliminary Summary Budget to Actual Comparison  
 For the Month Ended October 31, 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)
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>\$ 55,948.7</b>	<b>\$ 44,100.2</b>	79%	<b>\$ 146,108.3</b>	<b>\$ 69,747.7</b>	<b>\$ 76,360.6</b>	52%
	<b>Grand Total 2010 Capital Budget</b>		<b>\$ 55,485.0</b>	<b>\$ 44,100.2</b>	79%				

Notes:

1. Budget Allocation

	Original	Adjustments	Total	
Corporate Operations	\$ 33,800.0	\$ (31,215.0)	\$ 2,585.0	
Information Technology Operations	8,950.0	40,600.0	49,550.0	(Includes \$5.9M of Facility Replacement and Expansion carryover funds from 2009 and \$3.3M acceleration of Data Center equipment)
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>	

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 October 31, 2010 and 2009**  
**(\$ in Thousands)**

	Notes	2010	2009
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 2,807	\$ 19,617
Accounts receivable		4,742	3,480
Unbilled revenue		10,574	6,631
Restricted cash	(a)	131,897	166,911
Prepaid expenses and other current assets		13,509	10,297
Total current assets		163,529	206,936
Property and equipment, net		133,993	110,956
Systems under development		357,440	304,306
Debt issuance cost		490	684
Total assets		<u>\$ 655,452</u>	<u>\$ 622,882</u>
<b>Liabilities and Unrestricted Net Assets</b>			
Current liabilities:			
Accounts payable		5,286	5,378
Accrued liabilities		20,711	18,411
Deferred revenue		2,567	1,706
Market settlement liabilities	(b)	21,826	39,978
Security deposits	(a)	131,897	166,911
Regulatory liabilities, current portion		-	1,655
Notes payable, current portion		128,170	55,637
Total current liabilities		310,457	289,676
Notes payable		182,571	267,041
Derivative liability		12,281	15,050
Regulatory liability-Texas RE		-	429
Regulatory liability-Nodal		107,989	30,709
Other long term liabilities		268	1,327
Total liabilities		613,566	604,232
Unrestricted net assets		41,886	18,650
Total liabilities and unrestricted net assets		<u>\$ 655,452</u>	<u>\$ 622,882</u>

**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 Ten Months Ended October 31, 2010 and 2009**  
**(\$ in Thousands)**

	2010	2009
Operating revenues		
System administration fees	\$ 113,980	\$ 109,218
Nodal implementation surcharge	102,475	44,320
Reliability organization pass-through	9,817	5,654
Generation interconnection	276	445
Membership fees and other	2,848	2,461
Total operating revenue	229,396	162,098
Operating expenses		
Salaries and related benefits	44,426	47,506
Depreciation	19,565	24,537
Facility and equipment costs	7,064	6,587
Consulting and legal services	11,051	10,249
Administrative and other	11,300	6,876
Hardware and software maintenance and licensing	7,623	8,039
Amortization of regulatory asset	102,475	44,320
Total operating expenses	203,504	148,114
Income from operations	25,892	13,984
Other income (expense)		
Interest income	5	3,502
Interest expense	(2,076)	(3,288)
Change in valuation of interest rate swap	452	(298)
Non-operating income	3,644	20,488
Change in unrestricted net assets before deferred pension costs and distribution of net assets	27,917	34,388
Deferred pension costs	13	12
Distribution of net assets- Texas RE	(1,034)	-
Change in unrestricted net assets	26,896	34,400
Unrestricted net assets (deficit), beginning of year	14,990	(15,750)
Unrestricted net assets, end of period	\$ 41,886	\$ 18,650

**Electric Reliability Council of Texas, Inc.**  
**Statements of Cash Flows**  
**For the Ten Months Ended October 31, 2010 and 2009**  
**(\$ in Thousands)**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Change in unrestricted net assets	\$ 26,896	\$ 34,400
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	19,565	24,537
Amortization of debt issuance costs	161	211
Change in valuation of interest rate swap	(452)	298
Net losses on disposition or impairment of capital assets	(39)	27
Changes in operating assets and liabilities:		
Accounts receivable	4,067	864
Unbilled revenue	(3,984)	3,038
Prepaid expenses and other assets	(469)	6,359
Other long-term liabilities	(1,458)	643
Regulatory liability - Nodal	80,656	28,831
Accounts payable	(444)	(3,030)
Accrued liabilities	5,985	1,217
Deferred revenue	(1,703)	(3)
Regulatory liability - Texas RE	(1,736)	(1,011)
Net cash provided by operating activities	<u>127,045</u>	<u>96,381</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(91,751)	(94,538)
Proceeds from sale of property and equipment	13	16
Net cash used in investing activities	<u>(91,738)</u>	<u>(94,522)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of notes payable	7,200	-
Repayment of notes payable	(61,137)	(18,237)
Decrease in restricted cash	434	58,386
Decrease in market settlement liabilities	(57,378)	(85,575)
Decrease in security deposits	(434)	(58,386)
Net cash provided by financing activities	<u>(111,315)</u>	<u>(103,812)</u>
Net change in cash and cash equivalents	(76,008)	(101,953)
Cash and cash equivalents, beginning of year	78,815	121,570
Cash and cash equivalents, end of period	<u>\$ 2,807</u>	<u>\$ 19,617</u>

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

At October 31, 2010, Revolver borrowing was \$43.7 million. ERCOT borrowed \$20.9 million from TCR receipts to meet short-term liquidity needs in accordance with the Financial Corporate Standard. Available credit capacity as of October 31st was \$160.4 million.

**Debt Summary Schedule**  
**as of 10/31/10**  
**(\$ in Millions)**

	Capacity	Outstanding	Available
Senior Notes (1)	54.5	54.5	-
Term Loan (2)	212.5	212.5	-
Revolver	225.0	43.7	181.3
Total	492.0	310.7	181.3
TCR borrowing		20.9	(20.9)
Total including TCR borrowings		331.6	160.4

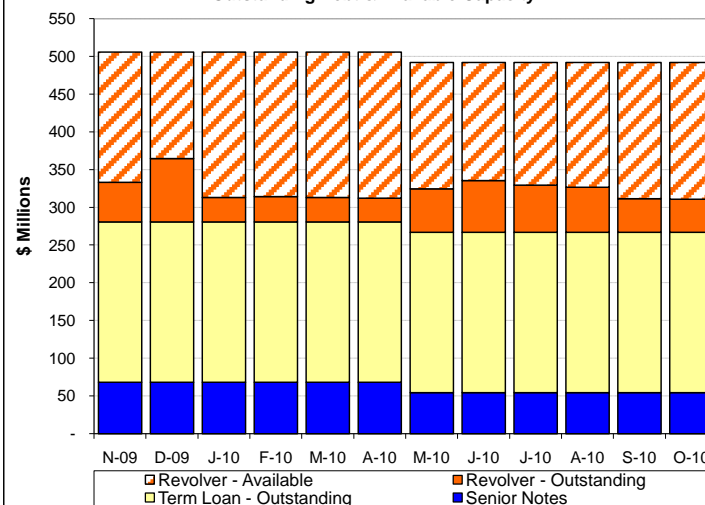
  

Outstanding Debt Components:	\$	%
Fixed Rate Debt	294.5	88.8
Floating Rate Debt (3)	37.1	11.2

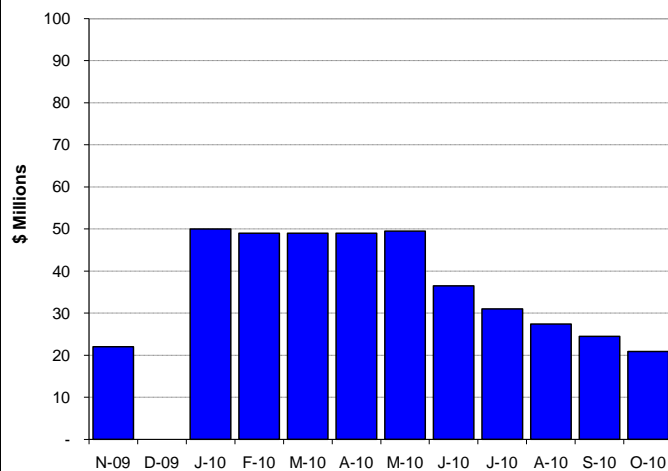
**Notes:**

- \$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 \$40.5K 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**

