



Financial Summary

**ERCOT Board of Directors
January 18, 2011**

**Mike Petterson
Controller**

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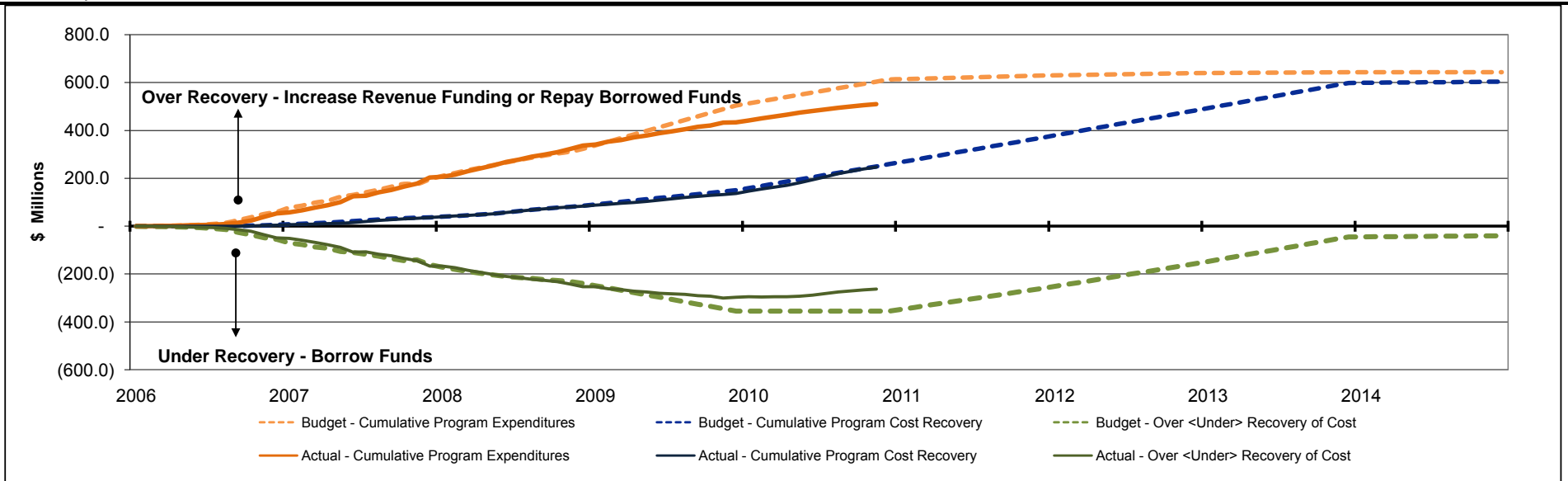
Electric Reliability Council of Texas, Inc.
Base Operations
Analysis of Adequacy of System Administration Fee
As of December 31, 2010
(\$ in Millions)

	Year-to-Date (As of 12.31.10)		
	2010 Budget	2010 Actual	\$ Variance
Revenue			
System Administration Fee	130.5	133.1	2.6
Wide-area Network Fees	2.3	2.2	(0.1)
NERC Electric Reliability Organization Fee	8.3	8.3	-
Generation Interconnection Study Fees	0.6	0.3	(0.3)
Interest Income	0.1	-	(0.1)
Sales Tax Refund - Facility Construction Funding	12.8	12.8	-
2009 Carry forward for Facility Replacement & Expansion	2.4	2.4	-
Other Revenue	0.2	1.5	1.3
Recovery of an Investment loss from The Reserve	-	3.4	3.4
Subtotal - Revenue	<u>157.2</u>	<u>164.0</u>	<u>6.8</u>
Expenses (excluding depreciation)			
Salary & Benefits	59.0	51.5	7.5
Outside Services	12.2	11.5	0.7
Hardware/Software Maintenance & Licenses	9.1	9.1	-
Facility & Equipment Costs	8.0	8.0	-
Other	6.8	6.2	0.6
Subtotal - Base Operating Expenses	<u>95.1</u>	<u>86.3</u>	<u>8.8</u>
NERC Electric Reliability Organization Expenses	8.3	8.3	-
Protocol Services	1.5	0.7	0.8
Principal Repayment	26.1	26.1	-
Interest Payments	5.3	2.7	2.6
Revenue-Funded Project Expenditures (40%)	20.9	21.1	(0.2)
Subtotal - Expenses	<u>157.2</u>	<u>145.3</u>	<u>12.0</u>
Excess/(Deficit) of Revenue Over Expenses	<u>-</u>	<u>18.7</u>	<u>18.7</u>

Electric Reliability Council of Texas, Inc.
Nodal Program
Summary of Actual and Forecast Costs (2006-2013)
(\$ in Millions)

	<u>Nodal Program Costs</u>
Direct Costs Incurred through Nodal Market Go-Live	450.6
Indirect Costs Allocated through Nodal Market Go-Live	23.0
Finance Charges Allocated through Nodal Market Go-Live	36.5
Subtotal - Costs Incurred through Nodal Market Go-Live	<u>510.1</u>
Finance Charges Expected to be Allocated in 2011-2013	13.3
Maximum Post Go-Live Charges Authorized for 2011	25.2
Total - Estimated Nodal Program Implementation Costs	<u><u>548.6</u></u>

Electric Reliability Council of Texas, Inc.
 Nodal Program (Implementation and Post Go-Live)
 Summary of Expenditures and Surcharge Income
 As of December 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)
Actual - Cumulative Program Expenditures	53.3	203.7	337.0	433.6	512.7	-	-	-	-
Actual - Cumulative Program Cost Recovery	4.5	36.6	84.3	136.4	256.0	-	-	-	-
Actual - Over <Under> Recovery of Cost	(48.8)	(167.1)	(252.7)	(297.2)	(256.7)	-	-	-	-

Electric Reliability Council of Texas, Inc.
Nodal Post Go-Live
Approved Forecast to Actual Comparison
Estimate at Completion as of December 2010
(\$ in Millions)

Cost Summary	Life-To-Date			Estimate at Completion		
	Forecast	Actual	Variance Fav./Unfav.	Budget	Estimate at Completion	Variance to Budget Fav./Unfav.
Nodal Stabilization	1.4	0.9	0.5	11.3	12.8	(1.5)
Zonal Decommissioning Efforts	-	-	-	0.3	0.2	0.1
Deferred Defects / DST & Planning Model	0.5	0.5	-	2.6	1.8	0.8
Parking Deck	-	-	-	3.2	3.2	-
Hardware & Software Maintenance	0.5	0.5	-	7.8	7.2	0.6
Total - Post Go-Live	2.4	1.9	0.5	25.2	25.2	-

Electric Reliability Council of Texas, Inc.
Nodal Post Go-Live: Stabilization
Approved Forecast to Actual Comparison
Month of December 2010
(\$ in Millions)

Cost Summary	Forecast	Actual	Variance Fav./(Unfav.)
Internal Labor Costs	0.5	0.4	0.1
Backfill Labor Costs	-	-	-
External Resource Costs	0.9	0.5	0.4
Software & Software Maintenance	-	-	-
Hardware & Hardware Maintenance	-	-	-
Other	-	-	-
Subtotal - Direct	1.4	0.9	0.5
Finance Charges	-	-	-
Total	1.4	0.9	0.5

Electric Reliability Council of Texas, Inc.
Nodal Post Go-Live: Deferred Defects / DST & Planning Model
Approved Forecast to Actual Comparison
Month of December 2010
(\$ in Millions)

Cost Summary	Forecast	Actual	Variance Fav./(Unfav.)
Internal Labor Costs	0.2	0.2	-
Backfill Labor Costs	-	-	-
External Resource Costs	0.3	0.3	-
Software & Software Maintenance	-	-	-
Hardware & Hardware Maintenance	-	-	-
Other	-	-	-
Subtotal - Direct	0.5	0.5	-
Finance Charges	-	-	-
Total	0.5	0.5	-

Electric Reliability Council of Texas, Inc.
Nodal Post Go-Live: Hardware & Software Maintenance
Approved Forecast to Actual Comparison
Month of December 2010
(\$ in Millions)

Cost Summary	Forecast	Actual	Variance Fav./(Unfav.)
Internal Labor Costs	-	-	-
Backfill Labor Costs	-	-	-
External Resource Costs	-	-	-
Software & Software Maintenance	0.3	0.3	-
Hardware & Hardware Maintenance	0.2	0.2	-
Other	-	-	-
Subtotal - Direct	0.5	0.5	-
Finance Charges			-
Total	0.5	0.5	-

Electric Reliability Council of Texas, Inc.
 Projects - Preliminary Summary Budget to Actual Comparison
 For the Month Ended November 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	1,051.9	73%	1,435.0	1,051.9	383.1	27%
CO	Enterprise Records Management Automation (ERMA)	10031	790.0	455.3	58%	800.0	455.3	344.7	43%
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	2,272.8	492.2	18%
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	1,817.0	69%	6,216.5	4,924.2	1,292.4	21%
IO	Facility Replacement & Expansion	80001	38,042.7	32,301.7	85%	70,042.7	47,530.4	22,512.3	32%
IO	Telecom Equipment	10015	4,085.0	1,770.3	43%	6,151.5	1,773.6	4,377.9	71%
IO	Network Gear	10016	3,241.8	2,635.8	81%	5,341.7	2,637.1	2,704.6	51%
IO	P-Series Upgrade	10011	3,364.4	3,281.0	98%	18,450.0	3,282.4	15,167.6	82%
IO	Annual Growth Storage	10018	565.0	413.4	73%	565.0	413.4	151.6	27%
IO	Infrastructure Monitoring Enhancement	90009	173.8	158.4	91%	694.0	590.4	103.6	15%
IO	Monitoring & Reporting Tools	90010	127.3	114.8	90%	292.0	279.6	12.4	4%
IO	Tier 1 Storage	10010	95.0	67.8	71%	14,750.0	68.4	14,681.6	100%
IO	Virtual Tape (Tier 4)	10014	35.0	29.5	84%	2,400.0	29.5	2,370.5	99%
IO	Windows/Linux Servers	10013	20.0	56.4	282%	4,480.0	56.6	4,423.4	99%
IO	Spectel Server Replacement	90003	11.0	9.4	85%	500.0	480.4	19.6	4%
Subtotal - Information Technology Operations			49,761.0	40,838.4	82%	123,666.9	57,141.7	66,525.2	54%
MO	Information Lifecycle Management	90006	1,216.6	677.1	56%	1,963.0	1,423.4	539.6	27%
MO	Settlement System Upgrade	10052	244.0	114.9	47%	5,554.1	114.9	5,439.2	98%
MO	Data Aggregation Performance Improvements	10055	75.7	13.5	18%	500.0	13.5	486.5	97%
Subtotal - Market Operations			1,536.3	805.4	52%	8,017.1	1,551.8	6,465.3	81%
RO	Data Research & Reporting	50088	1,279.5	1,079.2	84%	3,565.0	2,634.2	930.7	26%
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	1,374.7	77%	7,013.5	5,438.6	1,574.9	22%

Electric Reliability Council of Texas, Inc.
 Projects - Preliminary Summary Budget to Actual Comparison
 For the Month Ended November 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	880.8	69.7	7%
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	1,036.4	92.3	8%
	Grand Total Allocated 2010 Capital Budget		55,883.2	44,917.1	80%	146,042.7	70,092.6	75,950.1	52%
	Grand Total 2010 Capital Budget		55,485.0	44,917.1	81%				

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
Retail Operations	1,900.0	-	1,900.0
Market Operations	1,500.0	(200.0)	1,300.0
System Operations	150.0	-	150.0
Total - 2010 Capital Budget	46,300.0	9,185.0	55,485.0

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.

4. Information Technology includes \$5.9M of carryover facility project funds from 2009 and \$3.3M of accelerated authorization from 2011.

5. Information Technology excludes \$16.7M of accelerated hardware authorization from 2011. The Board approved acceleration will be included upon hardware order and delivery commitment.

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

	Notes	2010	2009
Assets			
Current assets:			
Cash and cash equivalents		8,469	27,446
Accounts receivable		4,130	8,209
Unbilled revenue		10,976	7,254
Restricted cash	(a)	307,346	253,266
Prepaid expenses and other current assets		16,191	12,636
Total current assets		347,112	308,811
Property and equipment, net		132,358	112,571
Systems under development		360,222	310,243
Debt issuance cost		479	668
Total assets		\$ 840,171	\$ 732,293
Liabilities and Unrestricted Net Assets			
Current liabilities:			
Accounts payable		8,110	7,591
Accrued liabilities		12,087	15,856
Deferred revenue		1,506	3,378
Market settlement liabilities	(b)	31,739	50,449
Security deposits	(a)	307,346	253,266
Regulatory liabilities, current portion		-	1,558
Notes payable, current portion		199,470	136,970
Total current liabilities		560,258	469,068
Notes payable		111,737	196,208
Derivative liability		9,795	14,945
Regulatory liability-Texas RE		-	429
Regulatory liability-Nodal		113,944	30,732
Other long term liabilities		267	1,520
Total liabilities		796,001	712,902
Unrestricted net assets		44,170	19,391
Total liabilities and unrestricted net assets		840,171	732,293

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 Eleven Months Ended November 30, 2010 and 2009
(\$ in Thousands)

	<u>2010</u>	<u>2009</u>
Operating revenues		
System administration fees	123,023	117,820
Nodal implementation surcharge	110,606	47,742
Reliability organization pass-through	10,993	6,215
Generation interconnection	289	455
Membership fees and other	3,093	2,788
Total operating revenue	<u>248,004</u>	<u>175,020</u>
Operating expenses		
Salaries and related benefits	48,600	52,050
Depreciation	21,453	26,486
Facility and equipment costs	7,904	7,271
Consulting and legal services	11,864	11,137
Administrative and other	13,135	7,459
Hardware and software maintenance and licensing	8,391	8,857
Amortization of regulatory asset	110,606	47,742
Total operating expenses	<u>221,953</u>	<u>161,002</u>
Income from operations	26,051	14,018
Other income (expense)		
Interest income	6	3,502
Interest expense	(2,403)	(2,692)
Change in valuation of interest rate swap	2,938	(193)
Non-operating income	3,609	20,493
Change in unrestricted net assets before deferred pension costs and distribution of net assets	30,201	35,128
Deferred pension costs	13	13
Distribution of net assets- Texas RE	(1,034)	-
Change in unrestricted net assets	29,180	35,141
Unrestricted net assets (deficit), beginning of year	14,990	(15,750)
Unrestricted net assets, end of period	<u>44,170</u>	<u>19,391</u>

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

	2010	2009
Cash flows from operating activities:		
Change in unrestricted net assets	29,180	35,141
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	21,453	26,486
Amortization of debt issuance costs	172	227
Change in valuation of interest rate swap	(2,938)	193
Net losses on disposition or impairment of capital assets	(39)	27
Changes in operating assets and liabilities:		
Accounts receivable	4,679	(3,865)
Unbilled revenue	(4,386)	2,415
Prepaid expenses and other assets	(3,151)	4,020
Other long-term liabilities	(1,459)	836
Regulatory liability - Nodal	87,236	29,995
Accounts payable	2,521	(438)
Accrued liabilities	1,495	(2,207)
Deferred revenue	(2,764)	1,669
Regulatory liability - Texas RE	(1,736)	(1,108)
Net cash provided by operating activities	<u>130,263</u>	<u>93,391</u>
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(99,686)	(104,696)
Proceeds from sale of property and equipment	13	22
Net cash used in investing activities	<u>(99,673)</u>	<u>(104,674)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	31,000	5,900
Repayment of notes payable	(84,471)	(13,637)
Increase in restricted cash	(175,015)	(27,969)
Decrease in market settlement liabilities	(47,465)	(75,104)
Increase in security deposits	175,015	27,969
Net cash provided by financing activities	<u>(100,936)</u>	<u>(82,841)</u>
Net change in cash and cash equivalents	(70,346)	(94,124)
Cash and cash equivalents, beginning of year	78,815	121,570
Cash and cash equivalents, end of period	<u>8,469</u>	<u>27,446</u>

Electric Reliability Council of Texas, Inc.
Summary of Outstanding Debt Balances
For the Eleven Months Ended November 30, 2010
(\$ in Millions)

At November 30, 2010, Revolver borrowing was \$115.0 million. ERCOT borrowed \$26.0 million from TCR receipts to meet short-term liquidity needs in accordance with the Financial Corporate Standard. Available credit capacity as of November 30th was \$84.0 million.

Debt Summary Schedule
as of 11/30/10
(\$ in Millions)

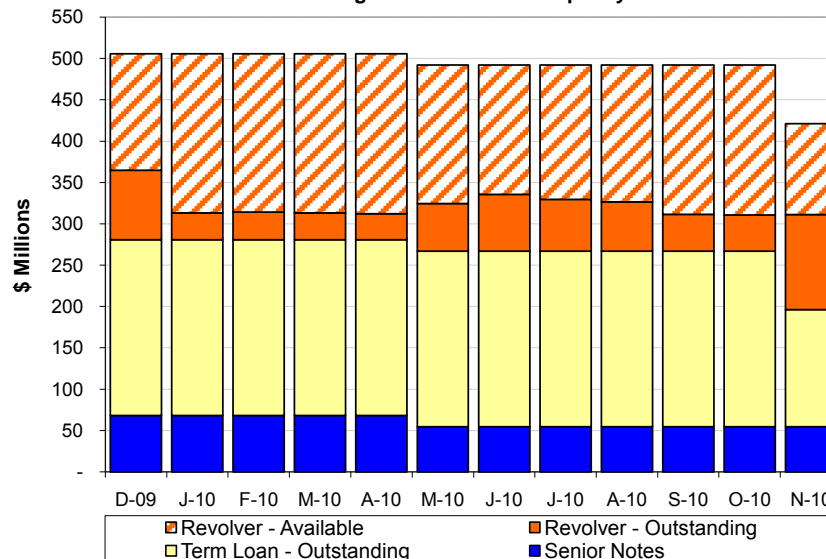
	Capacity	Outstanding	Available
Senior Notes (1)	54.5	54.5	-
Term Loan (2)	141.7	141.7	-
Revolver	225.0	115.0	110.0
Total	421.2	311.2	110.0
TCR borrowing		26.0	(26.0)
Total including TCR borrowings		337.2	84.0

Outstanding Debt Components:	\$	%
Fixed Rate Debt	254.5	75.5
Floating Rate Debt (3)	82.6	24.5

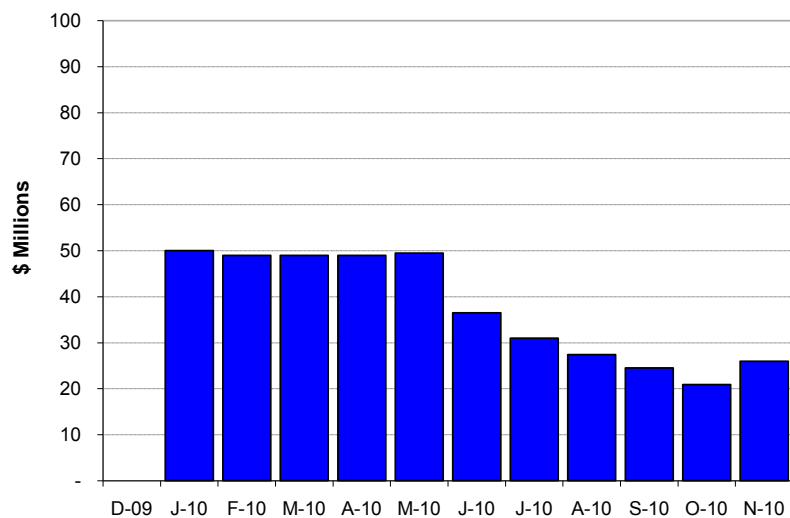
Notes:

- \$13.7M annual payment due May 15th was made timely.
- \$70.8 M annual payment due in November was made timely.
- 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 \$141.7K 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

