



# Financial Summary

**ERCOT Board of Directors**  
**March 22, 2011**

**Mike Petterson**  
**VP, Finance and Treasury**

# Financial Summary - Month of February

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
<b>Revenue</b>				
System Administration Fee	\$ 9.3	\$ 10.0	\$ 0.7	7.5
NERC Electric Reliability Organization Fee	1.0	1.0	-	-
Wide-area Network Fees	0.2	0.2	-	-
Grant Funding from Department of Energy	0.1	-	(0.1)	(100.0)
Generation Interconnection Study Fees	-	-	-	n/a
Other Revenue	0.1	0.1	-	-
Sales Tax Refund - Facility Construction Funding	0.4	0.4	-	-
2010 Carry forward	1.2	1.2	-	-
<b>Subtotal - Revenue</b>	<b>12.3</b>	<b>12.9</b>	<b>0.6</b>	<b>4.9</b>
<b>Expense</b>				
Salary & Benefits	5.8	6.2	(0.4)	(6.9)
Facility & Equipment Costs	1.1	0.9	0.2	18.2
Hardware/Software Maintenance & Licenses	0.7	0.8	(0.1)	(14.3)
Outside Services	0.7	0.7	-	-
Other	1.4	1.3	0.1	7.1
Principal Repayment	2.2	2.2	-	-
Revenue-Funded Project Expenditures (40%)	4.0	4.0	-	-
Interest Payments	0.4	0.3	0.1	25.0
<b>Subtotal - Expense</b>	<b>16.3</b>	<b>16.4</b>	<b>(0.1)</b>	<b>(0.6)</b>
<b>Excess/(Deficit) of Revenue Over Expense</b>	<b>\$ (4.0)</b>	<b>\$ (3.5)</b>	<b>\$ 0.5</b>	<b>12.5</b>

# Financial Summary - Year to Date

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
<b>Revenue</b>				
System Administration Fee	\$ 19.8	\$ 20.7	\$ 0.9	4.5
NERC Electric Reliability Organization Fee	2.0	2.0	-	-
Wide-area Network Fees	0.4	0.4	-	-
Grant Funding from Department of Energy	0.2	0.1	(0.1)	(50.0)
Generation Interconnection Study Fees	-	-	-	n/a
Other Revenue	0.1	0.1	-	-
Sales Tax Refund - Facility Construction Funding	0.8	0.8	-	-
2010 Carry forward	2.4	2.4	-	-
<b>Subtotal - Revenue</b>	<b>25.7</b>	<b>26.5</b>	<b>0.8</b>	<b>3.1</b>
<b>Expense</b>				
Salary & Benefits	11.5	11.7	(0.2)	(1.7)
Facility & Equipment Costs	2.2	1.8	0.4	18.2
Hardware/Software Maintenance & Licenses	1.4	1.5	(0.1)	(7.1)
Outside Services	1.4	1.3	0.1	7.1
Other	2.8	2.6	0.2	7.1
Principal Repayment	4.4	4.4	-	-
Revenue-Funded Project Expenditures (40%)	5.9	5.9	-	-
Interest Payments	0.7	0.7	-	-
<b>Subtotal - Expense</b>	<b>30.3</b>	<b>29.9</b>	<b>0.4</b>	<b>1.3</b>
<b>Excess/(Deficit) of Revenue Over Expense</b>	<b>\$ (4.6)</b>	<b>\$ (3.4)</b>	<b>\$ 1.2</b>	<b>26.1</b>

# Financial Summary - Year End Forecast

(\$ in Millions)

	Budget	Forecast	Variance	
			\$	%
<b>Revenue</b>				
System Administration Fee	\$ 129.5	\$ 129.5	\$ -	-
NERC Electric Reliability Organization Fee	12.0	12.0	-	-
Wide-area Network Fees	2.2	2.2	-	-
Grant Funding from Department of Energy	1.2	1.2	-	-
Generation Interconnection Study Fees	0.3	0.3	-	-
Other Revenue	0.4	0.4	-	-
Sales Tax Refund - Facility Construction Funding	5.0	5.0	-	-
2010 Carry forward	14.4	17.4	3.0	20.8
<b>Subtotal - Revenue</b>	<b>165.0</b>	<b>168.0</b>	<b>3.0</b>	<b>1.8</b>
<b>Expense</b>				
Salary & Benefits	70.3	70.3	-	-
Facility & Equipment Costs	13.5	13.6	(0.1)	(0.7)
Hardware/Software Maintenance & Licenses	9.9	9.9	-	-
Outside Services	8.2	7.1	1.1	13.4
Other	16.6	16.8	(0.2)	(1.2)
Principal Repayment	26.2	26.2	-	-
Revenue-Funded Project Expenditures (40%)	16.8	13.1	3.7	22.0
Interest Payments	3.5	3.5	-	-
<b>Subtotal - Expense</b>	<b>165.0</b>	<b>160.5</b>	<b>4.5</b>	<b>2.7</b>
<b>Excess/(Deficit) of Revenue Over Expense</b>	<b>\$ -</b>	<b>\$ 7.5</b>	<b>\$ 7.5</b>	<b>100.0</b>

# Project Expenditures - Life To Date

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Nodal Post Go-Live	\$ 7.0	\$ 5.4	\$ 1.6	22.9
Data Center	30.8	30.4	0.4	1.3
Settlement System Upgrade	0.3	0.3	-	-
Data Research & Reporting	3.3	2.8	0.5	15.2
MarkeTrak Enhancements	-	-	-	n/a
Texas Standard Electronic Transaction (SET) 4.0	-	-	-	n/a
Information Lifecycle Management	0.9	0.3	0.6	66.7
Minor Capital	0.3	-	0.3	100.0
Other Portfolio Projects	1.5	1.5	-	-
<b>Total - Project Expenditures</b>	<b>\$ 44.1</b>	<b>\$ 40.7</b>	<b>\$ 3.4</b>	<b>7.7</b>

# Project Expenditures – Estimate at Completion

(\$ in Millions)

	Estimate at		Variance	
	Budget	Completion	\$	%
Nodal Post Go-Live	\$ 25.2	\$ 24.3	\$ 0.9	3.6
Data Center	44.7	41.3	3.4	7.6
Settlement System Upgrade	5.6	5.5	0.1	1.8
Data Research & Reporting	4.1	3.6	0.5	12.2
MarkeTrak Enhancements	2.4	2.4	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.8	1.8	-	-
Information Lifecycle Management	1.8	1.2	0.6	33.3
Minor Capital	1.0	1.0	-	-
Other Portfolio Projects	3.0	3.0	-	-
<b>Total - Project Expenditures</b>	<b>\$ 89.6</b>	<b>\$ 84.1</b>	<b>\$ 5.5</b>	<b>6.1</b>

# Financial Statements - Statements of Financial Position as of February 28, 2011 and 2010 (\$ in Thousands)

	2011	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 37,972	\$ 13,897
Accounts receivable	8,447	7,182
Unbilled revenue	11,024	11,252
Restricted cash	239,125	130,918
Prepaid expenses and other current assets	13,541	12,404
Total current assets	310,109	175,653
Property and equipment, net	439,695	116,734
Systems under development	15,564	323,858
Debt issuance cost	444	618
Total assets	<u>\$ 765,812</u>	<u>\$ 616,863</u>
<b>Liabilities and Unrestricted Net Assets</b>		
Current liabilities:		
Accounts payable	5,614	5,770
Accrued liabilities	20,195	16,329
Deferred revenue	4,253	4,015
Market settlement liabilities	67,682	59,213
Security deposits	239,125	130,918
Regulatory liabilities, current portion	-	244
Notes payable, current portion	184,470	117,970
Total current liabilities	521,339	334,459
Notes payable	111,737	196,208
Derivative liability	8,367	13,491
Regulatory liabilities	89,500	50,220
Other long term liabilities	319	2,113
Total liabilities	731,262	596,491
Unrestricted net assets	34,550	20,372
Total liabilities and unrestricted net assets	<u>\$ 765,812</u>	<u>\$ 616,863</u>

# Financial Statements - Statements of Activities as of February 28, 2011 and 2010 (\$ in Thousands)

	2011	2010
Operating revenues		
System administration fees	\$ 20,664	\$ 20,764
Nodal implementation surcharge	18,616	18,669
Reliability organization pass-through	1,996	1,253
Membership fees and other	564	507
Total operating revenue	41,840	41,193
Operating expenses		
Salaries and related benefits	11,699	9,364
Depreciation	5,709	4,213
Facility and equipment costs	1,459	1,203
Consulting and legal services	1,385	1,685
Administrative and other	2,992	1,259
Hardware and software maintenance and licensing	1,618	1,541
Amortization of regulatory asset	18,616	18,669
Total operating expenses	43,478	37,934
Income (expense) from operations	(1,638)	3,259
Other income (expense)		
Interest income	1	-
Interest expense	(739)	(363)
Change in valuation of interest rate swap	1,465	(758)
Non-operating income	1	3,244
Change in unrestricted net assets before deferred pension costs and distribution of net assets	(910)	5,382
Deferred pension costs	-	-
Distribution of net assets- Texas RE	-	-
Change in unrestricted net assets	(910)	5,382
Unrestricted net assets, beginning of year	35,460	14,990
Unrestricted net assets, end of period	\$ 34,550	\$ 20,372



# Financial Statements – Statements of Cash Flows for the month ended February 28, 2011 and 2010 (\$ in Thousands)

	2011	2010
<b>Cash flows from operating activities:</b>		
Change in unrestricted net assets	\$ (910)	\$ 5,382
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	5,709	4,213
Amortization of debt issuance costs	23	33
Change in valuation of interest rate swap	(1,465)	758
Changes in operating assets and liabilities:		
Accounts receivable	897	1,627
Unbilled revenue	(1,909)	(4,662)
Prepaid expenses and other assets	441	636
Other long-term liabilities	(4)	387
Accounts payable	1,358	(367)
Accrued liabilities	(552)	967
Deferred revenue	951	(255)
Regulatory liabilities	13,845	14,385
Net cash provided by operating activities	18,384	23,105
<b>Cash flows from investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(11,824)	(17,537)
Proceeds from sale of property and equipment	1	5
Net cash used in investing activities	(11,823)	(17,532)
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(40,000)	(50,500)
Decrease in restricted cash	16,473	1,413
Increase (decrease) in market settlement liabilities	1,855	(19,991)
Decrease in security deposits	(16,473)	(1,413)
Net cash provided by financing activities	(38,145)	(70,491)
Net change in cash and cash equivalents	(31,584)	(64,918)
Cash and cash equivalents, beginning of year	69,556	78,815
Cash and cash equivalents, end of period	\$ 37,972	\$ 13,897