



Financial Summary

ERCOT Board of Directors
May 17, 2011

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VP, Finance and Treasury

Financial Summary - Month of April

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 9.4	\$ 10.2	\$ 0.8	8.5
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	-	-	-	n/a
Sales Tax Refund - Facility Construction Funding	0.4	0.4	-	-
2010 Carry Forward	-	-	-	n/a
Subtotal - Revenue	11.1	11.8	0.7	6.3
Expense (excluding Depreciation)				
Salary & Benefits	5.9	5.7	0.2	3.4
Facility & Equipment Costs	1.1	0.9	0.2	18.2
Hardware/Software Maintenance & Licenses	0.8	0.8	-	-
Outside Services	0.2	0.5	(0.3)	(150.0)
Other	0.4	0.4	-	-
Subtotal - Operating Expense	8.4	8.3	0.1	1.2
NERC Electric Reliability Organization	1.0	1.0	-	-
Market Monitoring	0.2	0.2	-	-
Protocol Services	0.2	-	0.2	100.0
Revenue-Funded Project Expenditures (40%)	1.5	0.8	0.7	46.7
Principal Repayment	2.2	2.2	-	-
Interest Payments	0.4	0.3	0.1	25.0
Total - Expense	13.9	12.8	1.1	7.9
Excess/(Deficit) of Revenue Over Expense	\$ (2.8)	\$ (1.0)	\$ 1.8	64.3

Financial Summary - Year to Date

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 38.2	\$ 40.3	\$ 2.1	5.5
NERC Electric Reliability Organization Fee	4.0	4.0	-	-
Wide-area Network Fees	0.7	0.7	-	-
Grant Funding from Department of Energy	0.4	0.2	(0.2)	(50.0)
Generation Interconnection Study Fees	0.1	0.1	-	-
Other Revenue	0.1	0.1	-	-
Sales Tax Refund - Facility Construction Funding	1.7	1.7	-	-
2010 Carry Forward	14.4	17.8	3.4	23.6
Subtotal - Revenue	59.6	64.9	5.3	8.9
Expense (excluding Depreciation)				
Salary & Benefits	23.1	23.4	(0.3)	(1.3)
Facility & Equipment Costs	4.5	3.9	0.6	13.3
Hardware/Software Maintenance & Licenses	3.0	3.1	(0.1)	(3.3)
Outside Services	0.9	1.7	(0.8)	(88.9)
Other	1.5	1.4	0.1	6.7
Subtotal - Operating Expense	33.0	33.5	(0.5)	(1.5)
NERC Electric Reliability Organization	4.0	4.0	-	-
Market Monitoring	0.9	0.9	-	-
Protocol Services	0.8	0.2	0.6	75.0
Revenue-Funded Project Expenditures (40%)	7.6	6.5	1.1	14.5
Principal Repayment	8.7	8.7	-	-
Interest Payments	1.4	1.4	-	-
Total - Expense	56.4	55.2	1.2	2.1
Excess/(Deficit) of Revenue Over Expense	\$ 3.2	\$ 9.7	\$ 6.5	203.1

Financial Summary - Year End Forecast

(\$ in Millions)

	Budget	Forecast	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 129.5	\$ 131.6	\$ 2.1	1.7
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	17.8	3.4	23.6
Subtotal - Revenue	165.0	170.5	5.5	3.4
Expense (excluding Depreciation)				
Salary & Benefits	70.3	70.3	-	-
Facility & Equipment Costs	13.5	13.3	0.2	1.5
Hardware/Software Maintenance & Licenses	9.9	10.0	(0.1)	(1.0)
Outside Services	3.0	3.7	(0.7)	(23.3)
Other	4.6	4.8	(0.2)	(4.3)
Subtotal - Operating Expense	101.3	102.1	(0.8)	(0.8)
NERC Electric Reliability Organization	12.0	12.0	-	-
Market Monitoring	2.7	2.7	-	-
Protocol Services	2.5	1.0	1.5	60.0
Revenue-Funded Project Expenditures (40%)	16.8	13.1	3.7	22.0
Principal Repayment	26.2	26.2	-	-
Interest Payments	3.5	3.5	-	-
Total - Expense	165.0	160.6	4.4	2.7
Excess/(Deficit) of Revenue Over Expense	\$ -	\$ 9.9	\$ 9.9	n/a

Project Expenditures - Life To Date

(\$ in Millions)

	Variance			
	Budget	Actual	\$	%
Nodal Post Go-Live	\$ 11.2	\$ 9.7	\$ 1.5	13.4
Data Center	33.6	31.3	2.3	6.8
Settlement System Upgrade	0.4	0.5	(0.1)	(25.0)
Data Research & Reporting	3.5	3.0	0.5	14.3
Information Lifecycle Management	0.5	0.5	-	-
MarkeTrak Enhancements	-	-	-	n/a
Texas Standard Electronic Transaction (SET) 4.0	0.1	0.1	-	-
Minor Capital	0.4	0.3	0.1	25.0
Other Portfolio Projects	1.9	1.9	-	-
Total - Project Expenditures	\$ 51.6	\$ 47.3	\$ 4.3	8.3

Project Expenditures – Estimate at Completion

(\$ in Millions)

	Budget	Estimate at Completion	Variance	
			\$	%
Nodal Post Go-Live	\$ 25.2	\$ 25.8	\$ (0.6)	(2.4)
Data Center	44.7	41.6	3.1	6.9
Settlement System Upgrade	5.6	5.5	0.1	1.8
Data Research & Reporting	4.1	3.5	0.6	14.6
Information Lifecycle Management	2.8	2.1	0.7	25.0
MarkeTrak Enhancements	2.4	2.4	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.8	1.8	-	-
Minor Capital	1.0	1.0	-	-
Other Portfolio Projects	3.0	2.9	0.1	3.3
Total - Project Expenditures	\$ 90.6	\$ 86.6	\$ 4.0	4.4

Financial Statements - Statements of Financial Position as of April 30, 2011 and 2010 (\$ in Thousands)

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,130	\$ 19,948
Accounts receivable	4,813	4,048
Unbilled revenue	10,793	8,617
Restricted cash	273,183	143,843
Prepaid expenses and other current assets	15,662	9,980
Total current assets	336,581	186,436
Property and equipment, net	430,749	126,362
Systems under development	10,298	333,357
Debt issuance cost	421	585
Total assets	<u>\$ 778,049</u>	<u>\$ 646,740</u>
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	2,526	4,642
Accrued liabilities	15,524	31,159
Deferred revenue	2,206	2,845
Market settlement liabilities	74,397	58,715
Security deposits	273,183	143,843
Regulatory liabilities, current portion	-	244
Notes payable, current portion	169,470	115,970
Total current liabilities	537,306	357,418
Notes payable	111,737	196,208
Derivative liability	8,416	13,377
Regulatory liabilities	90,018	58,722
Other long term liabilities	321	201
Total liabilities	747,798	625,926
Unrestricted net assets	30,251	20,814
Total liabilities and unrestricted net assets	<u>\$ 778,049</u>	<u>\$ 646,740</u>

Financial Statements - Statements of Activities as of April 30, 2011 and 2010 (\$ in Thousands)

	2011	2010
Operating revenues		
System administration fees	\$ 40,329	\$ 38,930
Nodal implementation surcharge	36,339	35,001
Reliability organization pass-through	3,992	2,921
Membership fees and other	1,091	1,110
Total operating revenue	81,751	77,962
Operating expenses		
Salaries and related benefits	23,438	18,174
Depreciation	11,544	8,501
Facility and equipment costs	3,188	2,724
Consulting and legal services	2,997	3,811
Administrative and other	6,220	2,957
Hardware and software maintenance and licensing	3,686	2,899
Amortization of regulatory asset	36,339	35,001
Total operating expenses	87,412	74,067
Income (expense) from operations	(5,661)	3,895
Other income (expense)		
Interest income	1	1
Interest expense	(1,391)	(679)
Change in valuation of interest rate swap	1,416	(644)
Non-operating income	8	3,247
Change in unrestricted net assets before deferred pension costs	(5,627)	5,820
Deferred pension costs	5	4
Change in unrestricted net assets	(5,622)	5,824
Unrestricted net assets, beginning of year	35,873	14,990
Unrestricted net assets, end of period	\$ 30,251	\$ 20,814

Financial Statements – Statements of Cash Flows for the month ended April 30, 2011 and 2010 (\$ in Thousands)

	2011	2010
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (5,622)	\$ 5,824
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	11,544	8,501
Amortization of debt issuance costs	46	66
Change in valuation of interest rate swap	(1,416)	644
Net (gains) losses on disposition or impairment of capital assets	(4)	2
Changes in operating assets and liabilities:		
Accounts receivable	4,531	4,761
Unbilled revenue	(1,678)	(2,027)
Prepaid expenses and other assets	(1,680)	3,060
Other long-term liabilities	(2)	(1,525)
Accounts payable	(1,810)	(1,471)
Accrued liabilities	2,661	6,030
Deferred revenue	(1,096)	(1,425)
Regulatory liabilities	26,374	25,255
Net cash provided by operating activities	31,848	47,695
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(22,848)	(33,583)
Proceeds from sale of property and equipment	4	10
Net cash used in investing activities	(22,844)	(33,573)
Cash flows from financing activities:		
Repayment of notes payable	(55,000)	(52,500)
Increase in restricted cash	(17,585)	(11,512)
Increase (decrease) in market settlement liabilities	8,570	(20,489)
Increase in security deposits	17,585	11,512
Net cash used in financing activities	(46,430)	(72,989)
Net change in cash and cash equivalents	(37,426)	(58,867)
Cash and cash equivalents, beginning of year	69,556	78,815
Cash and cash equivalents, end of period	\$ 32,130	\$ 19,948