



Financial Summary

ERCOT Board of Directors
June 21, 2011

Mike Petterson
VP, Finance and Treasury

Financial Summary - Month of May

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 11.8	\$ 11.5	\$ (0.3)	(2.5)
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	-	-	-	-
Other Revenue	0.1	0.1	-	-
Sales Tax Refund - Facility Construction Funding	-	-	-	-
2010 Carry Forward	-	-	-	-
Subtotal - Revenue	13.2	12.8	(0.4)	(3.0)
Expense (excluding Depreciation)				
Salary & Benefits	5.9	5.7	0.2	3.4
Facility & Equipment Costs	1.1	1.0	0.1	9.1
Hardware/Software Maintenance & Licenses	0.8	0.7	0.1	12.5
Outside Services	0.2	-	0.2	100.0
Other	0.4	0.4	-	-
Subtotal - Operating Expense	8.4	7.8	0.6	7.1
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%)	0.9	0.8	0.1	11.1
Principal Repayment	2.2	2.2	-	-
Interest Payments	0.4	0.3	0.1	25.0
Total - Expense	13.3	12.3	1.0	7.5
Excess/(Deficit) of Revenue Over Expense	\$ (0.1)	\$ 0.5	\$ 0.6	(100.0)

Financial Summary - Year to Date as of May 31, 2011

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 50.0	\$ 51.8	\$ 1.8	3.6
NERC Electric Reliability Organization Fee	5.0	5.0	-	-
Wide-area Network Fees	0.9	0.9	-	-
Grant Funding from Department of Energy	0.5	0.2	(0.3)	(60.0)
Generation Interconnection Study Fees	0.1	0.1	-	-
Other Revenue	0.2	0.2	-	-
Sales Tax Refund - Facility Construction Funding	5.0	5.0	-	-
2010 Carry Forward	14.4	17.8	3.4	23.6
Subtotal - Revenue	76.1	81.0	4.9	6.4
Expense (excluding Depreciation)				
Salary & Benefits	29.0	29.1	(0.1)	(0.3)
Facility & Equipment Costs	5.6	4.9	0.7	12.5
Hardware/Software Maintenance & Licenses	3.8	3.8	-	-
Outside Services	1.1	1.7	(0.6)	(54.5)
Other	1.9	1.8	0.1	5.3
Subtotal - Operating Expense	41.4	41.3	0.1	0.2
NERC Electric Reliability Organization	5.0	5.0	-	-
Market Monitoring	1.1	1.1	-	-
Protocol Services	1.0	0.2	0.8	80.0
Revenue-Funded Project Expenditures (40%)	9.7	7.3	2.4	24.7
Principal Repayment	10.9	10.9	-	-
Interest Payments	1.8	1.7	0.1	5.6
Total - Expense	70.9	67.5	3.4	4.8
Excess/(Deficit) of Revenue Over Expense	\$ 5.2	\$ 13.5	\$ 8.3	159.6

Financial Summary - Year End Forecast

(\$ in Millions)

	Budget	Forecast	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 129.5	\$ 131.8	\$ 2.3	1.8
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	170.7	5.7	3.5
Expense (excluding Depreciation)				
Salary & Benefits	70.3	70.6	(0.3)	(0.4)
Facility & Equipment Costs	13.5	13.1	0.4	3.0
Hardware/Software Maintenance & Licenses	9.9	10.0	(0.1)	(1.0)
Outside Services	3.0	4.1	(1.1)	(36.7)
Other	4.6	5.0	(0.4)	(8.7)
Subtotal - Operating Expense	101.3	102.8	(1.5)	(1.5)
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	12.8	4.0	23.8
Principal Repayment	26.2	26.2	-	-
Interest Payments	3.5	3.5	-	-
Total - Expense	165.0	161.0	4.0	2.4
Excess/(Deficit) of Revenue Over Expense	\$ -	\$ 9.7	\$ 9.7	100.0

Project Expenditures – Life to Date as of May 31, 2011

(\$ in Millions)

Cost Summary	Budget	Actual	Variance	
			\$	%
Nodal Post Go-Live ⁽¹⁾	\$ 13.1	\$ 10.9	\$ 2.2	16.8
Data Center	32.9	32.8	0.1	0.3
Settlement System Upgrade	0.5	0.6	(0.1)	(20.0)
Data Research & Reporting	3.2	3.1	0.1	3.1
Information Lifecycle Management	0.6	0.6	-	-
MarkeTrak Enhancements	-	-	-	-
Texas Standard Electronic Transaction (SET) 4.0	0.1	0.2	(0.1)	(100.0)
Minor Capital	0.6	0.4	0.2	33.3
Other Portfolio Projects	1.5	1.3	0.2	13.3
Total - Project Expenditures	\$ 52.5	\$ 49.9	\$ 2.6	5.0

Note:

(1) Post Nodal Audit (phases 1 and 2) excluded. Actual expenses to date total \$0.5 M.

Project Expenditures – Estimate at Completion

(\$ in Millions)

Cost Summary	Estimate at Completion		Variance	
	Budget		\$	%
Nodal Post Go-Live ⁽¹⁾	\$ 25.2	\$ 23.6	\$ 1.6	6.3
Data Center	44.7	41.3	3.4	7.6
Settlement System Upgrade	5.6	5.5	0.1	1.8
Data Research & Reporting	3.6	3.5	0.1	2.8
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	3.4	2.9	0.5	14.7
Total - Project Expenditures	\$ 90.5	\$ 84.1	\$ 6.4	7.1

Note:

(1) Post Nodal Audit (phases 1 and 2) excluded. Estimate at completion is \$3.0 M.

Data Center Migration Project Financials -

Life to Date and Estimate at Completion as of May 31, 2011 (\$ in Thousands)

Cost Category	Life to Date				Estimate at Completion
	Budget	Actual	Variance		
			\$	%	
Internal Labor	\$ 2,111.9	\$ 2,021.1	\$ 90.8	4.3	\$ 4,742.1
External Services	2,161.3	2,109.3	52.0	2.4	3,414.8
Hardware & Hardware Licenses	23,526.4	23,649.1	(122.7)	(0.5)	25,861.5
Software & Software Licenses	3,819.3	3,836.5	(17.2)	(0.5)	4,582.3
Hardware & Software Maintenance	877.3	804.8	72.5	8.3	1,730.9
Other	363.7	331.2	32.5	8.9	611.3
Financing	80.4	74.7	5.7	7.1	310.7
Subtotal	\$ 32,940.3	\$ 32,826.7	\$ 113.6	0.3	\$ 41,253.6
Total - Original Project Budget					44,671.7
EAC Forecast Less than Original Project Budget					\$ 3,418.1

Note:

Life to Date positive variance is a potential increase to contingency and will be determined during the next re-forecast scheduled for July.

Financial Statements - Statements of Financial Position

As of May 31, 2011 and 2010 (\$ in Thousands)

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 40,764	\$ 9,137
Accounts receivable	5,437	8,437
Unbilled revenue	14,110	13,041
Restricted cash	614,448	163,685
Prepaid expenses and other current assets	14,164	12,751
Total current assets	688,923	207,051
Property and equipment, net	422,406	131,298
Systems under development	11,281	335,567
Debt issuance cost	409	568
Total assets	<u>\$ 1,123,019</u>	<u>\$ 674,484</u>
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	911	6,908
Accrued liabilities	12,324	21,905
Deferred revenue	4,177	5,031
Market settlement liabilities	84,446	50,432
Security deposits	614,448	163,685
Regulatory liabilities, current portion	-	244
Notes payable, current portion	177,470	141,970
Total current liabilities	893,776	390,175
Notes payable	98,100	182,571
Derivative liability	7,036	11,667
Regulatory liabilities	92,007	65,524
Other long term liabilities	318	192
Total liabilities	1,091,237	650,129
Unrestricted net assets	31,782	24,355
Total liabilities and unrestricted net assets	<u>\$ 1,123,019</u>	<u>\$ 674,484</u>

Financial Statements - Statements of Activities

As of May 31, 2011 and 2010 (\$ in Thousands)

	2011	2010
Operating revenues		
System administration fees	\$ 51,823	\$ 50,275
Nodal implementation surcharge	46,684	45,200
Reliability organization pass-through	4,989	3,994
Membership fees and other	1,406	1,357
Total operating revenue	104,902	100,826
Operating expenses		
Salaries and related benefits	29,146	23,196
Depreciation	14,584	10,652
Facility and equipment costs	4,064	3,446
Consulting and legal services	3,284	5,167
Administrative and other	7,811	3,697
Hardware and software maintenance and licensing	4,493	3,712
Amortization of regulatory asset	46,684	45,200
Total operating expenses	110,066	95,070
Income (expense) from operations	(5,164)	5,756
Other income (expense)		
Interest income	2	2
Interest expense	(1,737)	(854)
Change in valuation of interest rate swap	2,796	1,066
Non-operating income	7	3,391
Change in unrestricted net assets before deferred pension costs	(4,096)	9,361
Deferred pension costs	5	4
Change in unrestricted net assets	(4,091)	9,365
Unrestricted net assets, beginning of year	35,873	14,990
Unrestricted net assets, end of period	\$ 31,782	\$ 24,355

Financial Statements – Statements of Cash Flows

For the Month Ended May 31, 2011 and 2010 (\$ in Thousands)

	2011	2010
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (4,091)	\$ 9,365
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	14,584	10,652
Amortization of debt issuance costs	58	83
Change in valuation of interest rate swap	(2,796)	(1,066)
Net (gains) losses on disposition or impairment of capital assets	(4)	2
Changes in operating assets and liabilities:		
Accounts receivable	3,907	372
Unbilled revenue	(4,995)	(6,451)
Prepaid expenses and other assets	(182)	289
Other long-term liabilities	(5)	(1,534)
Accounts payable	(3,347)	848
Accrued liabilities	(521)	3,605
Deferred revenue	875	761
Regulatory liabilities	34,367	33,045
Net cash provided by operating activities	37,850	49,971
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(24,628)	(50,751)
Proceeds from sale of property and equipment	4	11
Net cash used in investing activities	(24,624)	(50,740)
Cash flows from financing activities:		
Repayment of notes payable	(60,637)	(40,137)
Increase in restricted cash	(358,850)	(31,354)
Increase (decrease) in market settlement liabilities	18,619	(28,772)
Increase in security deposits	358,850	31,354
Net cash used in financing activities	(42,018)	(68,909)
Net change in cash and cash equivalents	(28,792)	(69,678)
Cash and cash equivalents, beginning of year	69,556	78,815
Cash and cash equivalents, end of period	\$ 40,764	\$ 9,137