



Financial Summary

**ERCOT Board of Directors
July 19, 2011**

**Mike Petterson
VP, Finance and Treasury**

Financial Summary - Year to Date as of June 30, 2011

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 62.3	\$ 65.9	\$ 3.6	5.8
NERC Electric Reliability Organization Fee	6.0	6.0	-	-
Wide-area Network Fees	1.1	1.1	-	-
Grant Funding from Department of Energy	0.6	0.3	(0.3)	(50.0)
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	17.6	3.2	22.2
Total - Revenue	89.7	96.2	6.5	7.2
Expense (excluding Depreciation)				
Salary & Benefits	34.9	34.6	0.3	0.9
Facility & Equipment Costs	6.7	6.0	0.7	10.4
Hardware/Software Maintenance & Licenses	4.6	4.6	-	-
Outside Services	1.3	2.0	(0.7)	(53.8)
Other	2.3	2.2	0.1	4.3
Subtotal - Operating Expense	49.8	49.4	0.4	0.8
NERC Electric Reliability Organization	6.0	6.0	-	-
Market Monitoring	1.4	1.4	-	-
Protocol Services	1.2	0.3	0.9	75.0
Revenue-Funded Portfolio Expenditures (40%)	10.5	8.0	2.5	23.8
Principal Repayment	13.1	13.1	-	-
Interest Payments	2.2	2.1	0.1	4.5
Total - Expense	84.2	80.3	3.9	4.6
Excess/(Deficit) of Revenue Over Expense	\$ 5.5	\$ 15.9	\$ 10.4	189.1

Financial Summary - Year End Forecast as of June 30, 2011

(\$ in Millions)

	Budget	Forecast	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 129.5	\$ 133.5	\$ 4.0	3.1
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	17.6	3.2	22.2
Total - Revenue	165.0	172.2	7.2	4.4
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	9.7	0.2	2.0
Outside Services	3.0	3.8	(0.8)	(26.7)
Other	4.6	5.0	(0.4)	(8.7)
Subtotal - Operating Expense	101.3	102.2	(0.9)	(0.9)
NERC Electric Reliability Organization	12.0	12.0	-	-
Market Monitoring	2.7	2.7	-	-
Protocol Services	2.5	0.8	1.7	68.0
Revenue-Funded Portfolio 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	160.2	4.8	2.9
Excess/(Deficit) of Revenue Over Expense	\$ -	\$ 12.0	\$ 12.0	n/a

Project Expenditures – Life to Date as of June 30, 2011

(\$ in Millions)

Cost Summary	Budget	Actual	Variance	
			\$	%
Nodal Post Go-Live	\$ 15.2	\$ 13.6	\$ 1.6	10.5
Data Center	34.6	34.0	0.6	1.7
Settlement System Upgrade	0.6	0.6	-	-
Data Research & Reporting	3.3	3.2	0.1	3.0
Information Lifecycle Management	0.6	0.6	-	-
Texas Standard Electronic Transaction (SET) 4.0	0.2	0.2	-	-
MarkeTrak Enhancements	-	-	-	n/a
Minor Capital	0.7	0.5	0.2	28.6
Other Portfolio Projects	1.3	1.0	0.3	23.1
Total - Project Expenditures	\$ 56.5	\$ 53.7	\$ 2.8	5.0

Project Expenditures - Estimate at Completion as of June 30, 2011

(\$ in Millions)

Cost Summary	Budget	Estimate at Completion	Variance	
			\$	%
Nodal Post Go-Live	\$ 25.2	\$ 25.9	\$ (0.7)	(2.8)
Data Center	44.7	41.3	3.4	7.6
Settlement System Upgrade	5.6	4.9	0.7	12.5
Data Research & Reporting	3.6	3.4	0.2	5.6
Information Lifecycle Management	2.1	2.1	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.8	1.8	-	-
MarkeTrak Enhancements	1.1	1.1	-	-
Minor Capital	1.0	1.0	-	-
Other Portfolio Projects	3.4	3.5	(0.1)	(2.9)
Total - Project Expenditures	\$ 88.5	\$ 85.0	\$ 3.5	4.0

Nodal Post Go-Live Project Financials - Life to Date and Estimate at Completion as of June 30, 2011 (\$ in Millions)

Cost Summary	Life to Date				Estimate at Completion			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Nodal Stabilization	\$ 9.1	\$ 7.5	\$ 1.6	17.6	\$ 11.3	\$ 12.0	\$ (0.7)	(6.2)
Post Go-Live Approved NPRRs	0.1	0.1	-	-	-	1.2	(1.2)	n/a
EDW Platform Transition	-	-	-	n/a	-	0.3	(0.3)	n/a
Zonal Decommissioning Efforts	0.4	0.2	0.2	50.0	0.3	0.3	-	-
Deferred Defects / DST & Planning Model	1.7	1.5	0.2	11.8	2.6	1.9	0.7	26.9
Parking Deck	0.1	0.1	-	-	3.2	0.2	3.0	93.8
Hardware & Software Maintenance	3.8	3.7	0.1	2.6	7.8	7.0	0.8	10.3
Subtotal - Post Go-Live	15.2	13.1	2.1	13.8	25.2	22.9	2.3	9.1
Post Nodal Audit (Phase 1 & 2)	-	0.5	(0.5)	n/a	-	3.0	(3.0)	n/a
Total - Post Go-Live	\$ 15.2	\$ 13.6	\$ 1.6	10.5	\$ 25.2	\$ 25.9	\$ (0.7)	(2.8)

Notes:

1. Post Go-Live Approved NPRRs are funded by a transfer of \$1.2M from the Parking Deck budget.
2. Estimate at Completion variance of \$2.3M represents savings swept from Post Go-Live activities which will be accumulated as contingency. Contingency is available to fund approved, unplanned Post Go-Live activities that may arise and/or offset the cost of the PUCT mandated Post Nodal Audit.

Data Center Migration Project Financials - Life to Date and Estimate at Completion as of June 30, 2011 (\$ in Thousands)

Cost Category	Life to Date				Estimate at Completion
	Budget	Actual	Variance		
			\$	%	
Internal Labor	\$ 2,539.6	\$ 2,361.3	\$ 178.3	7.0	\$ 4,742.1
External Services	2,502.0	2,329.6	172.4	6.9	3,414.8
Hardware & Hardware Licenses	24,230.1	24,099.4	130.7	0.5	25,861.5
Software & Software Licenses	3,819.3	3,782.2	37.1	1.0	4,582.3
Hardware & Software Maintenance	986.2	952.7	33.5	3.4	1,730.9
Other	398.1	358.7	39.4	9.9	611.3
Financing	107.9	95.1	12.8	11.9	310.7
Subtotal	34,583.2	33,979.0	604.2	1.7	41,253.6
Total - Original Project Budget					44,671.7
EAC Forecast Less than Original Project Budget					\$ 3,418.1

Note:

1. 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 June 30, 2011 and 2010 (\$ in Thousands)

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 225,788	\$ 34,896
Accounts receivable	12,423	6,139
Unbilled revenue	12,897	17,208
Restricted cash	350,057	148,516
Prepaid expenses and other current assets	16,478	13,227
Total current assets	<u>617,643</u>	<u>219,986</u>
Property and equipment, net	413,961	130,454
Systems under development	12,349	341,998
Debt issuance cost	397	552
Total assets	<u>\$ 1,044,350</u>	<u>\$ 692,990</u>
 Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	1,777	6,200
Accrued liabilities	13,691	18,796
Deferred revenue	3,153	3,698
Market settlement liabilities	275,406	65,325
Security deposits	350,057	148,516
Regulatory liabilities, current portion	-	244
Notes payable, current portion	164,470	152,970
Total current liabilities	<u>808,554</u>	<u>395,749</u>
Notes payable	98,100	182,571
Derivative liability	6,869	12,613
Regulatory liabilities	96,343	73,643
Other long term liabilities	322	274
Total liabilities	<u>1,010,188</u>	<u>664,850</u>
Unrestricted net assets	34,162	28,140
Total liabilities and unrestricted net assets	<u>\$ 1,044,350</u>	<u>\$ 692,990</u>

Financial Statements - Statements of Activities

As of June 30, 2011 and 2010 (\$ in Thousands)

	2011	2010
Operating revenues		
System administration fees	\$ 65,900	\$ 63,539
Nodal implementation surcharge	59,365	57,125
Reliability organization pass-through	5,987	5,114
Membership fees and other	1,645	1,632
Total operating revenue	<u>132,897</u>	<u>127,410</u>
Operating expenses		
Salaries and related benefits	34,717	27,735
Depreciation	17,635	12,823
Facility and equipment costs	4,880	4,171
Consulting and legal services	4,025	6,214
Administrative and other	9,461	4,370
Hardware and software maintenance and licensing	5,425	4,489
Amortization of regulatory asset	59,365	57,125
Total operating expenses	<u>135,508</u>	<u>116,927</u>
Income (expense) from operations	(2,611)	10,483
Other income (expense)		
Interest income	3	2
Interest expense	(2,083)	(853)
Change in valuation of interest rate swap	2,963	120
Non-operating income	8	3,390
Change in unrestricted net assets before deferred pension costs	<u>(1,720)</u>	<u>13,142</u>
Deferred pension costs	9	8
Change in unrestricted net assets	(1,711)	13,150
Unrestricted net assets, beginning of year	35,873	14,990
Unrestricted net assets, end of period	<u>\$ 34,162</u>	<u>\$ 28,140</u>

Financial Statements – Statements of Cash Flows

For the Month Ended June 30, 2011 and 2010 (\$ in Thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (1,711)	\$ 13,150
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	17,635	12,823
Amortization of debt issuance costs	70	99
Change in valuation of interest rate swap	(2,963)	(120)
Net (gains) losses on disposition or impairment of capital assets	(4)	2
Changes in operating assets and liabilities:		
Accounts receivable	(3,079)	2,670
Unbilled revenue	(3,782)	(10,618)
Prepaid expenses and other assets	(2,496)	(187)
Other long-term liabilities	(1)	(1,452)
Accounts payable	(2,508)	409
Accrued liabilities	800	4,730
Deferred revenue	(149)	(572)
Regulatory liabilities	44,707	42,160
Net cash provided by operating activities	<u>46,519</u>	<u>63,094</u>
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(26,233)	(64,008)
Proceeds from sale of property and equipment	4	11
Net cash used in investing activities	<u>(26,229)</u>	<u>(63,997)</u>
Cash flows from financing activities:		
Repayment of notes payable	(73,637)	(29,137)
Increase in restricted cash	(94,459)	(16,185)
Increase (decrease) in market settlement liabilities	209,579	(13,879)
Increase in security deposits	94,459	16,185
Net cash provided by (used in) financing activities	<u>135,942</u>	<u>(43,016)</u>
Net change in cash and cash equivalents	156,232	(43,919)
Cash and cash equivalents, beginning of year	69,556	78,815
Cash and cash equivalents, end of period	<u>\$ 225,788</u>	<u>\$ 34,896</u>