



Financial Summary

**ERCOT Board of Directors
August 16, 2011**

**Mike Petterson
VP, Finance and Treasury**

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

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 75.5	\$ 81.0	\$ 5.5	7.3
NERC Electric Reliability Organization Fee	7.0	7.0	-	-
Wide-area Network Fees	1.3	1.3	-	-
Grant Funding from Department of Energy	0.7	0.3	(0.4)	(57.1)
Generation Interconnection Study Fees	0.1	0.1	-	-
Other Revenue	0.2	0.3	0.1	50.0
Sales Tax Refund - Facility Construction Funding	5.0	5.0	-	-
2010 Carry Forward	14.4	17.6	3.2	22.2
Total - Revenue	104.2	112.6	8.4	8.1
Expense (excluding Depreciation)				
Salary & Benefits	40.8	40.2	0.6	1.5
Facility & Equipment Costs	7.9	6.8	1.1	13.9
Hardware/Software Maintenance & Licenses	5.4	5.4	-	-
Outside Services	1.6	2.3	(0.7)	(43.8)
Other	2.6	2.6	-	-
Subtotal - Operating Expense	58.3	57.3	1.0	1.7
NERC Electric Reliability Organization	7.0	7.0	-	-
Market Monitoring	1.6	1.6	-	-
Protocol Services	1.4	0.4	1.0	71.4
Revenue-Funded Portfolio Expenditures (40%)	11.5	8.6	2.9	25.2
Principal Repayment	15.3	15.3	-	-
Interest Payments	2.4	2.4	-	-
Total - Expense	97.5	92.6	4.9	5.0
Excess/(Deficit) of Revenue Over Expense	\$ 6.7	\$ 20.0	\$ 13.3	198.5

Financial Summary - Year End Forecast as of July 31, 2011

(\$ in Millions)

	Budget	Forecast	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 129.5	\$ 135.2	\$ 5.7	4.4
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	173.9	8.9	5.4
Expense (excluding Depreciation)				
Salary & Benefits	70.3	70.2	0.1	0.1
Facility & Equipment Costs	13.5	12.9	0.6	4.4
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	101.6	(0.3)	(0.3)
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	13.1	3.7	22.0
Principal Repayment	26.2	26.2	-	-
Interest Payments	3.5	3.5	-	-
Total - Expense	165.0	159.9	5.1	3.1
Excess/(Deficit) of Revenue Over Expense	\$ -	\$ 14.0	\$ 14.0	n/a

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

(\$ in Millions)

Cost Summary	Budget	Actual	Variance	
			\$	%
Nodal Post Go-Live	\$ 14.8	\$ 15.0	\$ (0.2)	(1.4)
Portfolio				
Data Center	36.5	35.2	1.3	3.6
Settlement System Upgrade	0.7	0.7	-	-
Data Research & Reporting	3.3	3.3	-	-
Information Lifecycle Management	0.7	0.7	-	-
Texas Standard Electronic Transaction (SET) 4.0	0.4	0.3	0.1	25.0
MarkeTrak Upgrade/Enhancements	-	-	-	n/a
Minor Capital	0.6	0.5	0.1	16.7
Other Portfolio Projects	1.1	1.0	0.1	9.1
Total - Nodal Post Go-Live & Portfolio	\$ 58.1	\$ 56.7	\$ 1.4	2.4

Project Expenditures – Estimate at Completion as of July 31, 2011

(\$ in Millions)

Cost Summary	Budget	Forecast	Variance	
			\$	%
Nodal Post Go-Live	\$ 25.2	\$ 28.1	\$ (2.9)	(11.5)
Portfolio				
Data Center	44.7	41.8	2.9	6.5
Settlement System Upgrade	4.9	4.9	-	-
Data Research & Reporting	3.4	3.4	-	-
Information Lifecycle Management	2.1	2.1	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.8	1.6	0.2	11.1
MarkeTrak Upgrade/Enhancements	1.1	1.1	-	-
Minor Capital	1.0	1.0	-	-
Other Portfolio Projects	4.3	4.3	-	-
Total - Nodal Post Go-Live & Portfolio	\$ 88.5	\$ 88.3	\$ 0.2	0.2

Nodal Post Go-Live Project Financials -

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

Cost Summary	Life to Date				Estimate at Completion			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Nodal Stabilization	\$ 8.3	\$ 8.1	\$ 0.2	2.4	\$ 12.2	\$ 12.0	\$ 0.2	1.6
Post Go-Live Approved NPRRs	0.2	0.2	-	-	1.3	1.3	-	-
EDW Platform Transition	-	-	-	n/a	0.3	0.2	0.1	33.3
RARF Upgrade	-	-	-	n/a	0.1	0.1	-	-
Zonal Decommissioning Efforts	0.2	0.2	-	-	0.3	0.3	-	-
Deferred Defects / DST & Planning Model	1.7	1.6	0.1	5.9	1.9	1.9	-	-
Parking Deck	0.1	0.1	-	-	0.1	0.1	-	-
Hardware & Software Maintenance	4.3	4.3	-	-	7.0	7.0	-	-
Post Nodal Audit (Phase 1 & 2)	-	0.5	(0.5)	n/a	-	3.2	(3.2)	n/a
Subtotal - Nodal Post Go-Live	14.8	15.0	(0.2)	(1.4)	23.2	26.1	(2.9)	(12.5)
Program Contingency	-	-	-	n/a	2.0	2.0	-	-
Total - Nodal Post Go-Live	\$ 14.8	\$ 15.0	\$ (0.2)	(1.4)	\$ 25.2	\$ 28.1	\$ (2.9)	(11.5)

Note:

1. Nodal Post Go-Live activity savings of \$2.3 M were swept at the beginning of Q3 2011 into the Program Contingency. Program Contingency is available to fund approved, unplanned Nodal Post Go-Live activities that may arise and/or offset the cost of the PUCT mandated Post Nodal Audit. Program Contingency awarded to date is \$0.3 M leaving \$2.0 M available.

Data Center Project Financials -

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

Cost Summary	Life to Date					Estimate at Completion				
	Budget	Actual	Variance			Budget	Forecast	Variance		
			\$	%				\$	%	
Internal Labor	\$ 3.1	\$ 2.7	\$ 0.4	12.9		\$ 4.8	\$ 4.5	\$ 0.3	6.3	
External Services	3.0	2.6	0.4	13.3		3.8	3.9	(0.1)	(2.6)	
Hardware & Hardware Licenses	24.8	24.5	0.3	1.2		25.9	26.2	(0.3)	(1.2)	
Software & Software Licenses	3.9	3.8	0.1	2.6		4.7	4.6	0.1	2.1	
Hardware & Software Maintenance	1.1	1.1	-	-		1.8	1.7	0.1	5.6	
Other	0.5	0.4	0.1	20.0		0.6	0.6	-	-	
Financing	0.1	0.1	-	-		0.3	0.3	-	-	
Total - Data Center	\$ 36.5	\$ 35.2	\$ 1.3	3.6		\$ 41.9	\$ 41.8	\$ 0.1	0.2	
Total - Data Center Original Budget							44.7			
Data Center EAC Less than Original Budget							\$ 2.9			

Financial Statements - Statements of Financial Position

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

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 219,552	\$ 7,859
Accounts receivable	6,814	6,124
Unbilled revenue	15,991	13,617
Restricted cash	399,146	141,860
Prepaid expenses and other current assets	17,523	12,245
Total current assets	659,026	181,705
Property and equipment, net	407,104	132,032
Systems under development	12,346	344,860
Debt issuance cost	385	535
Total assets	<u>\$ 1,078,861</u>	<u>\$ 659,132</u>
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	5,778	2,514
Accrued liabilities	13,722	20,530
Deferred revenue	2,129	2,485
Market settlement liabilities	252,883	35,049
Security deposits	399,146	141,860
Notes payable, current portion	159,470	146,970
Total current liabilities	833,128	349,408
Notes payable	98,100	182,571
Derivative liability	6,720	13,623
Regulatory liabilities	102,288	82,260
Other long term liabilities	319	271
Total liabilities	1,040,555	628,133
Unrestricted net assets	38,306	30,999
Total liabilities and unrestricted net assets	<u>\$ 1,078,861</u>	<u>\$ 659,132</u>

Financial Statements - Statements of Activities

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

	2011	2010
Operating revenues		
System administration fees	\$ 81,040	\$ 77,048
Nodal implementation surcharge	72,999	69,271
Reliability organization pass-through	6,985	6,290
Membership fees and other	1,940	1,943
Total operating revenue	162,964	154,552
Operating expenses		
Salaries and related benefits	40,241	31,803
Depreciation	20,112	14,514
Facility and equipment costs	5,620	4,803
Consulting and legal services	4,744	7,373
Administrative and other	11,064	6,048
Hardware and software maintenance and licensing	6,452	5,411
Amortization of regulatory asset	72,999	69,271
Total operating expenses	161,232	139,223
Income from operations	1,732	15,329
Other income (expense)		
Interest income	4	3
Interest expense	(2,432)	(1,038)
Change in valuation of interest rate swap	3,112	(890)
Non-operating income	8	3,631
Change in unrestricted net assets before deferred pension costs and distribution of net assets	2,424	17,035
Deferred pension costs	9	8
Distribution of net assets- Texas RE	-	(1,034)
Change in unrestricted net assets	2,433	16,009
Unrestricted net assets, beginning of year	35,873	14,990
Unrestricted net assets, end of period	\$ 38,306	\$ 30,999

Financial Statements – Statements of Cash Flows

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

	2011	2010
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 2,433	\$ 16,009
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	20,112	14,514
Amortization of debt issuance costs	82	116
Change in valuation of interest rate swap	(3,112)	890
Net gains on disposition or impairment of capital assets	(4)	(44)
Changes in operating assets and liabilities:		
Accounts receivable	2,530	2,685
Unbilled revenue	(6,876)	(7,027)
Prepaid expenses and other assets	(3,541)	795
Other long-term liabilities	(4)	(1,455)
Accounts payable	1,431	(3,362)
Accrued liabilities	856	5,001
Deferred revenue	(1,173)	(1,785)
Regulatory liabilities	56,451	51,165
Net cash provided by operating activities	69,185	77,502
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(27,612)	(69,177)
Proceeds from sale of property and equipment	4	11
Net cash used in investing activities	(27,608)	(69,166)
Cash flows from financing activities:		
Repayment of notes payable	(78,637)	(35,137)
Increase in restricted cash	(143,548)	(9,529)
Increase (decrease) in market settlement liabilities	187,056	(44,155)
Increase in security deposits	143,548	9,529
Net cash provided by (used in) financing activities	108,419	(79,292)
Net change in cash and cash equivalents	149,996	(70,956)
Cash and cash equivalents, beginning of year	69,556	78,815
Cash and cash equivalents, end of period	\$ 219,552	\$ 7,859