



Financial Summary

**ERCOT Board of Directors
October 18, 2011**

**Mike Petterson
VP, Finance and Treasury**

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

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 100.2	\$ 109.5	\$ 9.3	9.3
NERC Electric Reliability Organization Fee	9.0	9.0	-	-
Wide-area Network Fees	1.6	1.6	-	-
Grant Funding from Department of Energy	0.9	0.4	(0.5)	(55.6)
Generation Interconnection Study Fees	0.2	0.2	-	-
Other Revenue	0.3	0.3	-	-
Sales Tax Refund - Facility Construction Funding	5.0	5.0	-	-
2010 Carry Forward	14.4	17.6	3.2	22.2
Total - Revenue	131.6	143.6	12.0	9.1
Expense (excluding Depreciation)				
Salary & Benefits	52.6	52.1	0.5	1.0
Facility & Equipment Costs	10.1	8.7	1.4	13.9
Hardware/Software Maintenance & Licenses	7.2	7.0	0.2	2.8
Outside Services	2.1	3.3	(1.2)	(57.1)
Other	3.5	3.5	-	-
Subtotal - Operating Expense	75.5	74.6	0.9	1.2
NERC Electric Reliability Organization	9.0	9.0	-	-
Market Monitoring	2.0	2.0	-	-
Protocol Services	1.8	0.6	1.2	66.7
Revenue-Funded Portfolio Expenditures (40%)	12.9	9.9	3.0	23.3
Principal Repayment	19.7	19.7	-	-
Interest Payments	2.8	3.1	(0.3)	(10.7)
Total - Expense	123.7	118.9	4.8	3.9
Excess/(Deficit) of Revenue Over Expense	\$ 7.9	\$ 24.7	\$ 16.8	212.7

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

(\$ in Millions)

	Budget	Forecast	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 129.5	\$ 139.4	\$ 9.9	7.6
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	0.7	(0.5)	(41.7)
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	177.6	12.6	7.6
Expense (excluding Depreciation)				
Salary & Benefits	70.3	70.0	0.3	0.4
Facility & Equipment Costs	13.5	12.4	1.1	8.1
Hardware/Software Maintenance & Licenses	9.9	9.7	0.2	2.0
Outside Services	3.0	4.5	(1.5)	(50.0)
Other	4.6	5.5	(0.9)	(19.6)
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	0.8	1.7	68.0
Revenue-Funded Portfolio Expenditures (40%)	16.8	12.9	3.9	23.2
Principal Repayment	26.2	26.2	-	-
Interest Payments	3.5	4.1	(0.6)	(17.1)
Total - Expense	165.0	160.8	4.2	2.5
Excess/(Deficit) of Revenue Over Expense	\$ -	\$ 16.8	\$ 16.8	n/a

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

(\$ in Millions)

Cost Summary	Budget	Actual	Variance	
			\$	%
Nodal Post Go-Live	\$ 18.9	\$ 18.4	\$ 0.5	2.6
Portfolio				
Data Center	38.6	37.6	1.0	2.6
Settlement System Upgrade	1.0	0.8	0.2	20.0
Data Research & Reporting	3.4	3.4	-	-
Information Lifecycle Management	0.9	0.8	0.1	11.1
Texas Standard Electronic Transaction (SET) 4.0	0.5	0.5	-	-
MarkeTrak Upgrade/Enhancements	0.1	-	0.1	100.0
Minor Capital	0.7	0.6	0.1	14.3
Other Portfolio Projects	1.4	1.0	0.4	28.6
Total - Nodal Post Go-Live & Portfolio	\$ 65.5	\$ 63.1	\$ 2.4	3.7

Project Expenditures – Estimate at Completion as of September 30, 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	41.3	3.4	7.6
Settlement System Upgrade	5.6	6.1	(0.5)	(8.9)
Data Research & Reporting	3.4	3.4	-	-
Information Lifecycle Management	2.1	2.0	0.1	4.8
Texas Standard Electronic Transaction (SET) 4.0	1.8	1.8	-	-
MarkeTrak Upgrade/Enhancements	1.1	1.0	0.1	9.1
Minor Capital	1.0	1.0	-	-
Other Portfolio Projects	4.4	4.3	0.1	2.3
Total - Nodal Post Go-Live & Portfolio	\$ 89.3	\$ 89.0	\$ 0.3	0.3

Note:

1. Nodal Post Go-Live forecast includes program contingency of \$1.7 M. Probability of utilization is low .

Nodal Post Go-Live Project Financials –

Life to Date and Estimate at Completion as of September 30, 2011 (\$ in Millions)

Cost Summary	Life to Date				Estimate at Completion			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Nodal Stabilization	\$ 10.1	\$ 9.8	\$ 0.3	3.0	\$ 12.3	\$ 12.5	\$ (0.2)	(1.6)
Post Go-Live Approved NPRRs	0.7	0.4	0.3	42.9	1.2	1.1	0.1	8.3
EDW Platform Transition	0.3	0.1	0.2	66.7	0.3	0.2	0.1	33.3
Resource Asset Registration Form (RARF) Upgrade	-	-	-	n/a	0.1	0.1	-	-
Zonal Decommissioning Efforts	0.3	0.3	-	-	0.3	0.4	(0.1)	(33.3)
Deferred Defects / DST & Planning Model	2.0	1.7	0.3	15.0	2.1	2.0	0.1	4.8
Parking Deck	0.1	0.1	-	-	0.1	0.1	-	-
Hardware & Software Maintenance	5.4	5.1	0.3	5.6	7.1	6.8	0.3	4.2
Post Nodal Audit (Phase 1 & 2)	-	0.9	(0.9)	n/a	-	3.2	(3.2)	n/a
Subtotal - Nodal Post Go-Live	18.9	18.4	0.5	2.6	23.5	26.4	(2.9)	(12.3)
Program Contingency	-	-	-	n/a	1.7	1.7	-	-
Total - Nodal Post Go-Live	\$ 18.9	\$ 18.4	\$ 0.5	2.6	\$ 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 \$0.6 M leaving \$1.7 M available; however, probability of utilization is low.

Data Center Project Financials –

Life to Date and Estimate at Completion as of September 30, 2011 (\$ in Millions)

Cost Summary	Life to Date					Estimate at Completion				
	Budget	Actual	Variance			Budget	Forecast	Variance		
			\$	%				\$	%	
Internal Labor	\$ 3.6	\$ 3.5	\$ 0.1	2.8		\$ 4.8	\$ 4.2	\$ 0.6	12.5	
External Services	3.3	3.3	-	-		3.8	4.1	(0.3)	(7.9)	
Hardware & Hardware Licenses	25.2	24.8	0.4	1.6		26.0	25.8	0.2	0.8	
Software & Software Licenses	4.4	3.9	0.5	11.4		4.6	4.4	0.2	4.3	
Hardware & Software Maintenance	1.4	1.4	-	-		1.8	1.9	(0.1)	(5.6)	
Other	0.5	0.5	-	-		0.6	0.6	-	-	
Financing	0.2	0.2	-	-		0.3	0.3	-	-	
Subtotal - Data Center	\$ 38.6	\$ 37.6	\$ 1.0	2.6		\$ 41.9	\$ 41.3	\$ 0.6	1.4	
Project Contingency	-	-	-	n/a		2.8	-	2.8	100.0	
Total - Data Center	\$ 38.6	\$ 37.6	\$ 1.0	2.6		\$ 44.7	\$ 41.3	\$ 3.4	7.6	

Financial Statements - Statements of Financial Position

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

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 109,621	\$ 34,337
Accounts receivable	6,211	11,904
Unbilled revenue	11,743	10,039
Restricted cash	569,566	130,183
Prepaid expenses and other current assets	16,515	15,145
Total current assets	713,656	201,608
Property and equipment, net	391,105	131,644
Systems under development	14,787	353,608
Debt issuance cost	362	502
Total assets	<u>\$ 1,119,910</u>	<u>\$ 687,362</u>
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	1,233	9,130
Accrued liabilities	12,421	17,187
Deferred revenue	3,073	3,609
Market settlement liabilities	129,974	59,795
Security deposits	569,566	130,183
Notes payable, current portion	142,804	128,970
Total current liabilities	859,071	348,874
Notes payable	98,100	182,571
Derivative liability	5,052	12,044
Regulatory liabilities	112,631	101,341
Other long term liabilities	319	271
Total liabilities	1,075,173	645,101
Unrestricted net assets	44,737	42,261
Total liabilities and unrestricted net assets	<u>\$ 1,119,910</u>	<u>\$ 687,362</u>

Financial Statements - Statements of Activities

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

	2011	2010
Operating revenues		
System administration fees	\$ 109,469	\$ 104,002
Nodal implementation surcharge	98,599	93,505
Reliability organization pass-through	8,981	8,641
Membership fees and other	2,524	2,855
Total operating revenue	219,573	209,003
Operating expenses		
Salaries and related benefits	52,270	39,834
Depreciation	25,039	17,727
Facility and equipment costs	7,391	6,344
Consulting and legal services	6,569	9,723
Administrative and other	14,264	9,402
Hardware and software maintenance and licensing	8,251	6,764
Amortization of regulatory asset	98,599	93,505
Total operating expenses	212,383	183,299
Income from operations	7,190	25,704
Other income (expense)		
Interest income	6	5
Interest expense	(3,136)	(1,736)
Change in valuation of interest rate swap	4,780	689
Non-operating income	9	3,631
Change in unrestricted net assets before deferred pension costs and distribution of net assets	8,849	28,293
Deferred pension costs	15	12
Distribution of net assets- Texas RE	-	(1,034)
Change in unrestricted net assets	8,864	27,271
Unrestricted net assets, beginning of year	35,873	14,990
Unrestricted net assets, end of period	\$ 44,737	\$ 42,261

Financial Statements – Statements of Cash Flows

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

	2011	2010
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 8,864	\$ 27,271
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	25,039	17,727
Amortization of debt issuance costs	105	149
Change in valuation of interest rate swap	(4,780)	(689)
Net gains on disposition or impairment of capital assets	(4)	(40)
Changes in operating assets and liabilities:		
Accounts receivable	3,133	(3,095)
Unbilled revenue	(2,628)	(3,449)
Prepaid expenses and other assets	(2,533)	(2,105)
Other long-term liabilities	(4)	(1,455)
Accounts payable	(3,161)	3,488
Accrued liabilities	(506)	4,561
Deferred revenue	(229)	(661)
Regulatory liabilities	78,385	71,647
Net cash provided by operating activities	101,681	113,349
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(30,465)	(85,292)
Proceeds from sale of property and equipment	5	11
Net cash used in investing activities	(30,460)	(85,281)
Cash flows from financing activities:		
Repayment of notes payable	(95,304)	(53,137)
(Increase) decrease in restricted cash	(313,968)	2,148
Increase (decrease) in market settlement liabilities	64,148	(19,409)
Increase (decrease) in security deposits	313,968	(2,148)
Net cash used in financing activities	(31,156)	(72,546)
Net change in cash and cash equivalents	40,065	(44,478)
Cash and cash equivalents, beginning of year	69,556	78,815
Cash and cash equivalents, end of period	\$ 109,621	\$ 34,337