



Financial Summary

**ERCOT Board of Directors
December 12-13, 2011**

**Mike Petterson
VP, Finance and Treasury**

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

(\$ in Millions)

	Budget	Actual	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 119.4	\$ 128.9	\$ 9.5	8.0
NERC Electric Reliability Organization Fee	11.0	11.0	-	-
Wide-area Network Fees	2.0	1.9	(0.1)	(5.0)
Grant Funding from Department of Energy	1.1	0.6	(0.5)	(45.5)
Generation Interconnection Study Fees	0.3	0.3	-	-
Other Revenue	0.3	0.4	0.1	33.3
Sales Tax Refund - Facility Construction Funding	5.0	5.0	-	-
2010 Carry Forward	14.4	17.6	3.2	22.2
Total - Revenue	153.5	165.7	12.2	7.9
Expense (excluding Depreciation)				
Salary & Benefits	64.3	63.4	0.9	1.4
Facility & Equipment Costs	12.4	10.7	1.7	13.7
Hardware/Software Maintenance & Licenses	8.9	8.7	0.2	2.2
Outside Services	2.6	3.4	(0.8)	(30.8)
Other	4.3	5.0	(0.7)	(16.3)
Subtotal - Operating Expense	92.5	91.2	1.3	1.4
NERC Electric Reliability Organization	11.0	11.0	-	-
Market Monitoring	2.5	2.5	-	-
Protocol Services	2.3	0.7	1.6	69.6
Revenue-Funded Portfolio Expenditures (40%)	14.2	11.5	2.7	19.0
Principal Repayment	24.0	24.0	-	-
Interest Payments	3.3	3.8	(0.5)	(15.2)
Total - Expense	149.8	144.7	5.1	3.4
Excess/(Deficit) of Revenue Over Expense	\$ 3.7	\$ 21.0	\$ 17.3	467.6

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

(\$ in Millions)

	Budget	Forecast	Variance	
			\$	%
Revenue				
System Administration Fee	\$ 129.5	\$ 139.3	\$ 9.8	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	177.5	12.5	7.6
Expense (excluding Depreciation)				
Salary & Benefits	70.3	69.0	1.3	1.8
Facility & Equipment Costs	13.5	12.2	1.3	9.6
Hardware/Software Maintenance & Licenses	9.9	9.7	0.2	2.0
Outside Services	3.0	4.1	(1.1)	(36.7)
Other	4.6	5.6	(1.0)	(21.7)
Subtotal - Operating Expense	101.3	100.6	0.7	0.7
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	4.0	(0.5)	(14.3)
Total - Expense	165.0	159.2	5.8	3.5
Excess/(Deficit) of Revenue Over Expense	\$ -	\$ 18.3	\$ 18.3	n/a

Project Expenditures - Life to Date as of November 30, 2011

(\$ in Millions)

Cost Summary	Budget	Actual	Variance	
			\$	%
Nodal Post Go-Live	\$ 21.7	\$ 22.3	\$ (0.6)	(2.8)
Portfolio				
Data Center	40.3	40.3	-	-
Settlement System Upgrade	1.2	1.0	0.2	16.7
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	0.8	0.8	-	-
Oracle 11G Upgrade	-	-	-	n/a
MarkeTrak Upgrade/Enhancements	0.4	0.3	0.1	25.0
Minor Capital	0.8	0.6	0.2	25.0
Other Portfolio Projects	2.2	1.8	0.4	18.2
Total - Nodal Post Go-Live & Portfolio	\$ 71.7	\$ 71.3	\$ 0.4	0.6

Note:

Year-to-Date Nodal Post Go-Live expenses include \$1.6 M for non-budgeted, PUCT mandated Post Nodal Audit.

Project Expenditures - Estimate at Completion as of November 30, 2011 (\$ in Millions)

Cost Summary	Budget	Forecast	Variance	
			\$	%
Nodal Post Go-Live	\$ 25.2	\$ 25.2	\$ -	-
Portfolio				
Data Center	44.7	42.1	2.6	5.8
Settlement System Upgrade	6.1	6.0	0.1	1.6
Data Research & Reporting	3.4	3.4	-	-
Information Lifecycle Management	2.0	2.0	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.7	1.8	(0.1)	(5.9)
Oracle 11G Upgrade	1.4	1.4	-	-
MarkeTrak Upgrade/Enhancements	1.2	1.0	0.2	16.7
Minor Capital	1.0	0.9	0.1	10.0
Other Portfolio Projects	5.2	5.3	(0.1)	(1.9)
Total - Nodal Post Go-Live & Portfolio	\$ 91.9	\$ 89.1	\$ 2.8	3.0

Note:

Nodal Post Go-Live forecast includes program contingency of \$0.9 M; however, the probability of utilization is low. Forecasted spend for Nodal Post Go-Live is \$24.3 M.

Nodal Post Go-Live Project Financials

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

Cost Summary	Life to Date				Estimate at Completion			
	Budget	Actual	Variance		Budget	12/31/11 Forecast	Variance	
			\$	%			\$	%
Nodal Stabilization	\$ 11.7	\$ 11.3	\$ 0.4	3.4	\$ 12.6	\$ 12.2	\$ 0.4	3.2
Post Go-Live Approved NPRRs	0.9	0.7	0.2	22.2	1.1	0.8	0.3	27.3
EDW Platform Transition	0.2	0.1	0.1	50.0	0.2	0.2	-	-
RARF Upgrade	0.1	0.1	-	-	0.1	0.1	-	-
HP Openview Upgrade	0.3	0.2	0.1	33.3	0.4	0.3	0.1	25.0
Zonal Decommissioning Efforts	0.4	0.4	-	-	0.4	0.4	-	-
Deferred Defects / DST & Planning Model	1.8	1.8	-	-	1.8	1.8	-	-
Parking Deck	0.1	0.1	-	-	0.1	0.1	-	-
Hardware & Software Maintenance	6.2	6.0	0.2	3.2	6.7	6.5	0.2	3.0
Post Nodal Audit (Phase 1 & 2)	-	1.6	(1.6)	n/a	-	1.9	(1.9)	n/a
Subtotal - Nodal Post Go-Live	21.7	22.3	(0.6)	(2.8)	23.4	24.3	(0.9)	(3.8)
Program Contingency	-	-	-	n/a	1.8	0.9	0.9	50.0
Total - Nodal Post Go-Live	\$ 21.7	\$ 22.3	\$ (0.6)	(2.8)	\$ 25.2	\$ 25.2	\$ -	-

Notes:

1. Nodal Post Go-Live activity savings of \$1.9 M was swept at the beginning of Q4 2011 for 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 in Q4 2011 is \$0.1 M leaving \$1.8 M available; however, \$0.9 M has been allocated to cover costs associated with the Post Nodal Audit.

2. Post Nodal Audit contracted to be complete by the end of March 2012 with a not-to-exceed cost of \$3.2 M. Costs incurred through December 2011 will be funded through the Nodal Surcharge. Subsequent costs in 2012 will be funded through the System Administration Fee.

Data Center Project Financials

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

Cost Summary	Life to Date				Estimate at Completion			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Internal Labor	\$ 4.1	\$ 4.2	\$ (0.1)	(2.4)	\$ 4.4	\$ 4.5	\$ (0.1)	(2.3)
External Services	4.0	3.9	0.1	2.5	4.2	4.2	-	-
Hardware & Hardware Licenses	25.0	25.1	(0.1)	(0.4)	25.6	25.7	(0.1)	(0.4)
Software & Software Licenses	4.8	4.8	-	-	5.0	5.0	-	-
Hardware & Software Maintenance	1.7	1.7	-	-	2.0	1.9	0.1	5.0
Other	0.5	0.4	0.1	20.0	0.6	0.5	0.1	16.7
Financing	0.2	0.2	-	-	0.3	0.3	-	-
Subtotal - Data Center	\$ 40.3	\$ 40.3	\$ -	-	\$ 42.1	\$ 42.1	\$ -	-
Project Contingency	-	-	-	n/a	2.6	-	2.6	100.0
Total - Data Center	\$ 40.3	\$ 40.3	\$ -	-	\$ 44.7	\$ 42.1	\$ 2.6	5.8

Financial Statements - Statements of Financial Position

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

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 238,322	\$ 8,469
Accounts receivable	4,333	4,130
Unbilled revenue	11,745	10,976
Restricted cash	504,559	307,346
Prepaid expenses and other current assets	15,597	16,191
Total current assets	774,556	347,112
Property and equipment, net	376,327	132,358
Systems under development	17,003	360,222
Debt issuance cost	339	479
Total assets	<u>\$ 1,168,225</u>	<u>\$ 840,171</u>
 Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	2,938	8,110
Accrued liabilities	9,724	12,087
Deferred revenue	1,290	1,506
Market settlement liabilities	286,099	31,739
Security deposits	504,559	307,346
Notes payable, current portion	174,970	199,470
Total current liabilities	979,580	560,258
Notes payable	27,267	111,737
Derivative liability	3,407	9,795
Regulatory liabilities	114,551	113,944
Other long term liabilities	315	267
Total liabilities	1,125,120	796,001
Unrestricted net assets	43,105	44,170
Total liabilities and unrestricted net assets	<u>\$ 1,168,225</u>	<u>\$ 840,171</u>

Financial Statements - Statements of Activities

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

	2011	2010
Operating revenues		
System administration fees	\$ 128,938	\$ 123,023
Nodal implementation surcharge	116,129	110,606
Reliability organization pass-through	10,977	10,993
Membership fees and other	3,177	3,382
Total operating revenue	259,221	248,004
Operating expenses		
Salaries and related benefits	63,546	49,048
Depreciation	30,074	21,453
Facility and equipment costs	9,212	7,904
Outside services	7,499	11,864
Hardware and software maintenance and licensing	10,198	8,391
Other	18,031	12,687
Amortization of regulatory asset	116,129	110,606
Total operating expenses	254,689	221,953
Income from operations	4,532	26,051
Other income (expense)		
Interest income	6	6
Interest expense	(3,755)	(2,403)
Change in valuation of interest rate swap	6,425	2,938
Non-operating income	10	3,609
Change in unrestricted net assets before deferred pension costs and distribution of net assets	7,218	30,201
Deferred pension costs	14	13
Distribution of net assets- Texas RE	-	(1,034)
Change in unrestricted net assets	7,232	29,180
Unrestricted net assets, beginning of year	35,873	14,990
Unrestricted net assets, end of period	\$ 43,105	\$ 44,170

Financial Statements – Statements of Cash Flows

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

	2011	2010
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 7,232	\$ 29,180
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	30,074	21,453
Amortization of debt issuance costs	128	172
Change in valuation of interest rate swap	(6,425)	(2,938)
Net gains on disposition or impairment of capital assets	(4)	(39)
Changes in operating assets and liabilities:		
Accounts receivable	5,011	4,679
Unbilled revenue	(2,630)	(4,386)
Prepaid expenses and other assets	(1,615)	(3,151)
Other long-term liabilities	(8)	(1,459)
Accounts payable	(1,404)	2,521
Accrued liabilities	(3,381)	1,495
Deferred revenue	(2,012)	(2,764)
Regulatory liabilities	91,901	85,500
Net cash provided by operating activities	116,867	130,263
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(34,409)	(99,686)
Proceeds from sale of property and equipment	6	13
Net cash used in investing activities	(34,403)	(99,673)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	-	31,000
Repayment of notes payable	(133,970)	(84,471)
Increase in restricted cash	(248,961)	(175,015)
Increase (decrease) in market settlement liabilities	220,272	(47,465)
Increase in security deposits	248,961	175,015
Net cash provided by (used in) financing activities	86,302	(100,936)
Net change in cash and cash equivalents	168,766	(70,346)
Cash and cash equivalents, beginning of year	69,556	78,815
Cash and cash equivalents, end of period	\$ 238,322	\$ 8,469