



Financial Summary

**Board of Directors Meeting
April 16-17, 2012**

Financial Performance - As of March 31, 2012

(\$ in Millions)

YTD BUDGET VS. ACTUAL PERFORMANCE: \$3.7 MILLION FAVORABLE

REVENUES

\$5.1 Million favorable 2011 Carry Forward
\$1.0 Million unfavorable System Administration Fee

EXPENSES

\$1.4 Million unfavorable Outside Services
\$0.4 Million favorable Salary & Benefits
\$0.4 Million favorable Revenue-Funded Portfolio Expenditures

YEAR-END PERFORMANCE FORECAST: \$4.4 MILLION FAVORABLE

REVENUES

\$5.1 Million favorable 2011 Carry Forward

EXPENSES

\$4.5 Million unfavorable Outside Services
\$3.6 Million favorable Salary & Benefits
\$0.2 Million favorable Hardware/Software Maintenance & Licenses

Financial Summary - As of March 31, 2012

(\$ in Millions)

	Year to Date				End of Year			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Revenue								
System Administration Fee	\$ 30.0	\$ 29.0	\$ (1.0)	(3.3)	\$ 137.7	\$ 137.7	\$ -	-
NERC Electric Reliability Organization Fee	3.3	3.3	-	-	13.1	13.1	-	-
Wide-area Network Fees	0.7	0.7	-	-	2.8	2.8	-	-
Generation Interconnection Study Fees	0.1	0.1	-	-	0.4	0.4	-	-
Other Revenue	0.2	0.4	0.2	100.0	0.4	0.4	-	-
2011 Carry Forward	13.7	18.8	5.1	37.2	13.7	18.8	5.1	37.2
Total - Revenue	48.0	52.3	4.3	9.0	168.1	173.2	5.1	3.0
Expense (excluding Depreciation)								
Salary & Benefits	18.3	17.9	0.4	2.2	74.4	70.8	3.6	4.8
Facility & Equipment Costs	3.4	3.2	0.2	5.9	13.3	13.3	-	-
Hardware/Software Maintenance & Licenses	4.0	4.1	(0.1)	(2.5)	20.1	19.9	0.2	1.0
Outside Services	1.8	3.2	(1.4)	(77.8)	3.2	7.7	(4.5)	(140.6)
Other	1.3	1.2	0.1	7.7	5.0	5.0	-	-
Subtotal - Operating Expense	28.8	29.6	(0.8)	(2.8)	116.0	116.7	(0.7)	(0.6)
NERC Electric Reliability Organization	3.3	3.3	-	-	13.1	13.1	-	-
Market Monitoring	0.7	0.7	-	-	2.8	2.8	-	-
Protocol Services	0.2	0.2	-	-	1.0	1.0	-	-
Revenue-Funded Portfolio Expenditures (40%)	1.8	1.4	0.4	22.2	6.0	6.0	-	-
Principal Repayment	6.6	6.6	-	-	26.2	26.2	-	-
Interest Payments	0.7	0.9	(0.2)	(28.6)	3.0	3.0	-	-
Total - Expense	42.1	42.7	(0.6)	(1.4)	168.1	168.8	(0.7)	(0.4)
Excess/(Deficit) of Revenue Over Expense	\$ 5.9	\$ 9.6	\$ 3.7	62.7	\$ -	\$ 4.4	\$ 4.4	n/a

Project Expenditures - As of March 31, 2012

(\$ in Millions)

Cost Summary	Life to Date				Estimate at Completion			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Data Center	\$ 44.7	\$ 43.4	\$ 1.3	2.9	\$ 44.7	\$ 43.6	\$ 1.1	2.5
Settlement System Upgrade	1.4	1.3	0.1	7.1	6.8	6.8	-	-
Information Lifecycle Management	1.0	1.0	-	-	2.0	2.0	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.3	1.3	-	-	1.8	1.7	0.1	5.6
Oracle 11G Upgrade	0.3	0.2	0.1	33.3	1.4	1.2	0.2	14.3
SCR760 Info Model Manager & Topology Processor	0.5	0.4	0.1	20.0	1.0	1.0	-	-
Security Admin Gateway Environment (SAGE)	0.4	0.4	-	-	0.5	0.5	-	-
NPRR351 - SCED Look Ahead Step 1: Indicative Pricing	0.1	0.1	-	-	0.8	0.8	-	-
NPRR347/NPRR400 Implementation	0.1	0.2	(0.1)	(100.0)	0.7	0.7	-	-
Taylor Facilities Upgrade	0.7	0.6	0.1	14.3	0.6	0.6	-	-
Security and Reliability Compliance Software	0.3	0.1	0.2	66.7	0.7	0.5	0.2	28.6
Minor Capital	0.1	0.1	-	-	0.5	0.5	-	-
Capital Efficiencies & Enhancements Release 1	0.2	0.2	-	-	0.5	0.5	-	-
2012 Program Control	0.1	0.1	-	-	0.5	0.5	-	-
Other Portfolio Projects	2.7	2.5	0.2	7.4	5.1	5.0	0.1	2.0
Total - Project Expenditures	\$ 53.9	\$ 51.9	\$ 2.0	3.7	\$ 67.6	\$ 65.9	\$ 1.7	2.5

Financial Statements - Statements of Financial Position

As of March 31, 2012 and 2011 (\$ in Thousands)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 202,979	\$ 37,392
Accounts receivable	4,612	8,135
Unbilled revenue	9,917	8,478
Restricted cash	346,000	259,017
Prepaid expenses and other current assets	15,732	11,599
Total current assets	579,240	324,621
Property and equipment, net	351,287	438,735
Systems under development	12,529	9,238
Debt issuance cost	292	432
Total assets	<u>\$ 943,348</u>	<u>\$ 773,026</u>
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	1,503	1,615
Accrued liabilities	9,303	21,144
Deferred revenue	3,526	3,229
Market settlement liabilities	243,505	75,684
Security deposits	346,000	259,017
Notes payable, current portion	154,470	170,470
Total current liabilities	758,307	531,159
Notes payable	27,267	111,737
Derivative liability	2,302	8,214
Regulatory liabilities	123,402	89,370
Other long term liabilities	359	322
Total liabilities	911,637	740,802
Unrestricted net assets	31,711	32,224
Total liabilities and unrestricted net assets	<u>\$ 943,348</u>	<u>\$ 773,026</u>

Financial Statements - Statements of Activities

As of March 31, 2012 and 2011 (\$ in Thousands)

	2012	2011
Operating revenues		
System administration fees	\$ 29,068	\$ 30,083
Nodal implementation surcharge	26,161	27,109
Reliability organization pass-through	3,266	2,994
Membership fees and other	1,357	860
Total operating revenue	59,852	61,046
Operating expenses		
Salaries and related benefits	18,164	17,656
Depreciation	8,188	8,582
Facility and equipment costs	2,764	2,417
Outside services	4,333	2,163
Hardware and software maintenance and licensing	4,316	2,689
Reliability organization assessment	3,266	2,994
Other	1,718	1,621
Amortization of regulatory asset	26,161	27,109
Total operating expenses	68,910	65,231
Loss from operations	(9,058)	(4,185)
Other income (expense)		
Interest income	1	1
Interest expense	(909)	(1,092)
Change in valuation of interest rate swap	934	1,618
Non-operating income	267	4
Change in unrestricted net assets before deferred pension costs	(8,765)	(3,654)
Deferred pension costs	5	5
Change in unrestricted net assets	(8,760)	(3,649)
Unrestricted net assets, beginning of year	40,471	35,873
Unrestricted net assets, end of period	\$ 31,711	\$ 32,224

Financial Statements - Statements of Cash Flows

For the Month Ended March 31, 2012 and 2011 (\$ in Thousands)

	2012	2011
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (8,760)	\$ (3,649)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	8,188	8,582
Amortization of debt issuance costs	35	35
Change in valuation of interest rate swap	(934)	(1,618)
Changes in operating assets and liabilities:		
Accounts receivable	4,886	1,209
Unbilled revenue	194	637
Prepaid expenses and other assets	2,533	2,383
Other long-term liabilities	(1)	(1)
Accounts payable	(6,904)	(2,659)
Accrued liabilities	768	580
Deferred revenue	(123)	(73)
Regulatory liabilities	24,942	19,719
Net cash provided by operating activities	24,824	25,145
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(4,973)	(13,170)
Proceeds from sale of property and equipment	82	4
Net cash used in investing activities	(4,891)	(13,166)
Cash flows from financing activities:		
Repayment of notes payable	(10,500)	(54,000)
Decrease (increase) in restricted cash	67,884	(3,419)
(Decrease) increase in market settlement liabilities	(53,257)	9,857
(Decrease) increase in security deposits	(67,884)	3,419
Net cash used in financing activities	(63,757)	(44,143)
Net change in cash and cash equivalents	(43,824)	(32,164)
Cash and cash equivalents, beginning of year	246,803	69,556
Cash and cash equivalents, end of period	\$ 202,979	\$ 37,392