



# **Financial Summary**

**Trip Doggett  
President & CEO**

**ERCOT Public  
July 17, 2012**

# Financial Performance - As of June 30, 2012

(\$ in Millions)

## YTD BUDGET VS. ACTUAL PERFORMANCE: \$4.5 MILLION FAVORABLE

**REVENUES** \$5.1 Million favorable 2011 Carry Forward  
\$0.4 Million favorable Other Revenues

**EXPENSES** \$2.9 Million unfavorable Outside Services  
\$1.3 Million favorable Salary & Benefits  
\$0.5 Million favorable Facility & Equipment Costs  
\$0.4 Million favorable Hardware/Software Maintenance & Licensing  
\$0.3 Million favorable Revenue-Funded Portfolio Expenditures

## YEAR-END PERFORMANCE FORECAST: \$4.2 MILLION FAVORABLE

**REVENUES** \$5.1 Million favorable 2011 Carry Forward  
\$0.7 Million favorable System Administration Fees

**EXPENSES** \$4.8 Million unfavorable Outside Services  
\$2.8 Million favorable Salary & Benefits  
\$1.0 Million favorable Facility & Equipment Costs

# Financial Summary - As of June 30, 2012

(\$ in Millions)

	Year to Date				End of Year				
	Budget	Actual	Variance		Budget	Forecast	Variance		
			\$	%			\$	%	
<b>Operating revenues</b>									
System administration fees	\$ 65.0	\$ 64.8	\$ (0.2)	(0.3)	\$ 137.7	\$ 138.4	\$ 0.7	0.5	
Reliability organization pass-through	6.5	6.5	-	-	13.1	13.1	-	-	
Membership fees and other	1.8	2.2	0.4	22.2	3.6	3.6	-	-	
2011 carry forward	13.7	18.8	5.1	37.2	13.7	18.8	5.1	37.2	
<b>Total - Operating revenues</b>	<b>87.0</b>	<b>92.3</b>	<b>5.3</b>	<b>6.1</b>	<b>168.1</b>	<b>173.9</b>	<b>5.8</b>	<b>3.5</b>	
<b>Operating expenses (excluding depreciation)</b>									
Salaries and related benefits	36.9	35.6	1.3	3.5	74.4	71.6	2.8	3.8	
Facility and equipment costs	6.8	6.3	0.5	7.4	13.3	12.3	1.0	7.5	
Hardware and software maintenance and licensing	10.1	9.7	0.4	4.0	20.1	19.9	0.2	1.0	
Outside services	3.5	6.4	(2.9)	(82.9)	7.0	11.8	(4.8)	(68.6)	
Reliability organization assessment	6.5	6.5	-	-	13.1	13.1	-	-	
Other	2.5	2.6	(0.1)	(4.0)	5.0	5.2	(0.2)	(4.0)	
<b>Subtotal - Operating expenses</b>	<b>66.3</b>	<b>67.1</b>	<b>(0.8)</b>	<b>(1.2)</b>	<b>132.9</b>	<b>133.9</b>	<b>(1.0)</b>	<b>(0.8)</b>	
Revenue-funded project expenditures (40%)	3.5	3.2	0.3	8.6	6.0	6.0	-	-	
Principal repayment	13.1	13.1	-	-	26.2	26.2	-	-	
Interest expense	1.5	1.8	(0.3)	(20.0)	3.0	3.6	(0.6)	(20.0)	
<b>Total - Expenses</b>	<b>84.4</b>	<b>85.2</b>	<b>(0.8)</b>	<b>(0.9)</b>	<b>168.1</b>	<b>169.7</b>	<b>(1.6)</b>	<b>(1.0)</b>	
<b>Excess/(Deficit) of revenues over expenses</b>	<b>\$ 2.6</b>	<b>\$ 7.1</b>	<b>\$ 4.5</b>	<b>173.1</b>	<b>\$ -</b>	<b>\$ 4.2</b>	<b>\$ 4.2</b>	<b>n/a</b>	

# Project Expenditures - As of June 30, 2012

(\$ in Millions)

Cost Summary	Life to Date				Estimate at Completion			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Data Center	44.7	43.9	0.8	1.8	44.7	43.9	0.8	1.8
Settlement System Upgrade	2.1	1.7	0.4	19.0	6.8	6.8	-	-
Information Lifecycle Management	1.1	1.1	-	-	2.0	2.0	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.7	1.7	-	-	1.8	1.8	-	-
Oracle 11G Upgrade	0.6	0.3	0.3	50.0	1.4	1.4	-	-
SCR760 Info Model Manager & Topology Processor	0.6	0.5	0.1	16.7	1.1	1.0	0.1	9.1
Content Management System (CMS) and Market Information Repository (MIR) Replacement	-	-	-	n/a	1.0	1.0	-	-
Security Admin Gateway Environment (SAGE)	0.4	0.3	0.1	25.0	0.9	0.9	-	-
Congestion Revenue Rights (CRR) Upgrade	0.1	0.1	-	-	0.8	0.8	-	-
NPRR351-Security Constrained Economic Dispatch (SCED) Look Ahead Step 1: Indicative Pricing	0.6	0.4	0.2	33.3	0.7	0.5	0.2	28.6
NPRR347/NPRR400 Implementation	0.3	0.3	-	-	0.7	0.7	-	-
Energy Management System (EMS) Upgrade	-	-	-	n/a	5.0	5.0	-	-
Minor Capital	0.3	0.4	(0.1)	(33.3)	0.8	0.8	-	-
Capital Efficiencies & Enhancements	0.5	0.5	-	-	0.8	0.8	-	-
MarkeTrak	0.7	0.7	-	-	0.7	0.7	-	-
Taylor Facilities Upgrade	0.7	0.6	0.1	14.3	0.6	0.6	-	-
Other Portfolio Projects	3.9	3.5	0.4	10.3	7.1	6.9	0.2	2.8
<b>Total - Portfolio Projects</b>	<b>\$ 58.3</b>	<b>\$ 56.0</b>	<b>\$ 2.3</b>	<b>3.9</b>	<b>\$ 76.9</b>	<b>\$ 75.6</b>	<b>\$ 1.3</b>	<b>1.7</b>

# Projected Recovery of Nodal Program Implementation Costs- As of June 30, 2012

	Date	Beginning balance to be recovered	Plus interest expense	Plus post-go-live expenditures	Less Nodal Surcharge revenue	Ending balance to be recovered
Actual	Dec-10	\$ 222,687,389	\$ 776,229	2,085,624	9,111,585	\$ 216,437,657
	Jan-11	216,437,657	738,017	1,710,249	9,845,438	209,040,485
	Feb-11	209,040,485	684,826	1,740,796	8,771,033	202,695,073
	Mar-11	202,695,073	747,105	2,061,294	8,492,640	197,010,832
	Apr-11	197,010,832	738,504	2,054,351	9,230,014	190,573,673
	May-11	190,573,673	696,642	1,926,982	10,344,582	182,852,714
	Jun-11	182,852,714	660,668	1,981,484	12,681,198	172,813,668
	Jul-11	172,813,668	654,901	1,460,068	13,634,182	161,294,454
	Aug-11	161,294,454	626,277	1,805,128	14,360,179	149,365,680
	Sep-11	149,365,680	590,179	1,602,984	11,239,524	140,319,320
	Oct-11	140,319,320	544,675	1,774,343	9,259,520	133,378,817
	Nov-11	133,378,817	452,180	1,927,172	8,271,182	127,486,988
Dec-11	127,486,988	420,326	1,692,268	9,540,002	120,059,580	
Jan-12	120,059,580	437,624	7,691	9,041,185	111,463,709	
Feb-12	111,463,709	389,718	-	8,370,276	103,483,151	
Mar-12	103,483,151	391,468	-	8,749,187	95,125,432	
Apr-12	95,125,432	348,162	-	9,163,566	86,310,027	
May-12	86,310,027	310,762	-	10,868,487	75,752,303	
Jun-12	75,752,303	221,579	-	12,099,704	63,874,178	
Estimated	Jul-12	63,874,178	225,775	-	13,449,434	50,650,520
	Aug-12	50,650,520	185,186	-	13,462,934	37,372,772
	Sep-12	37,372,772	142,333	-	11,374,635	26,140,470
	Oct-12	26,140,470	102,701	-	9,538,870	16,704,301
	Nov-12	16,704,301	69,280	-	8,621,835	8,151,745
	Dec-12	8,151,745	40,192	-	8,191,937	0
	Jan-13	0	-	-	-	0
	Feb-13	0	-	-	-	0
	Total	na	\$ 11,195,307	\$ 23,830,430	\$ 257,713,127	na

**Notes:**

1. Beginning balance to be recovered is computed as \$509.4 million less \$247.0 million nodal surcharge revenue during implementation and \$39.7 million collected through the system administration fee for "interdependent projects".
2. Total Nodal Program implementation cost is assumed as \$544.4 million (\$509.4 million incurred by the go-live date+ \$11.2 million interest after the go-live date + \$23.8 million in post-go-live project costs).
3. Full recovery of Nodal Program implementation costs (including post go-live expenditures and finance charges) is expected on December 26, 2012.

# Financial Statements - Statements of Financial Position

## As of June 30, 2012 and 2011 (\$ in Thousands)

	2012	2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 177,256	\$ 225,788
Accounts receivable	6,237	12,423
Unbilled revenue	14,166	12,897
Restricted cash	448,767	350,057
Prepaid expenses and other current assets	16,779	16,478
Total current assets	663,205	617,643
Property and equipment, net	332,593	413,961
Systems under development	8,598	12,349
Debt issuance cost	257	397
Total assets	<u>\$ 1,004,653</u>	<u>\$ 1,044,350</u>
<b>Liabilities and Unrestricted Net Assets</b>		
Current liabilities:		
Accounts payable	1,819	1,777
Accrued liabilities	8,260	13,691
Deferred revenue	3,438	3,153
Market settlement liabilities	221,141	275,406
Security deposits	448,767	350,057
Notes payable, current portion	139,470	164,470
Total current liabilities	822,895	808,554
Notes payable	13,630	98,100
Derivative liability	1,193	6,869
Regulatory liabilities	137,083	96,343
Other long term liabilities	389	322
Total liabilities	975,190	1,010,188
Unrestricted net assets	29,463	34,162
Total liabilities and unrestricted net assets	<u>\$ 1,004,653</u>	<u>\$ 1,044,350</u>

# Financial Statements - Statements of Activities

## As of June 30, 2012 and 2011 (\$ in Thousands)

	2012	2011
Operating revenues		
System administration fees	\$ 64,766	\$ 65,900
Nodal implementation surcharge	58,292	59,365
Reliability organization pass-through	6,531	5,987
Membership fees and other	2,595	1,645
Total operating revenue	132,184	132,897
Operating expenses		
Salaries and related benefits	36,183	34,717
Depreciation	16,760	17,635
Facility and equipment costs	6,461	6,136
Outside services	6,693	4,025
Hardware and software maintenance and licensing	10,088	5,425
Reliability organization assessment	6,531	5,987
Other	2,682	2,218
Amortization of regulatory asset	58,292	59,365
Total operating expenses	143,690	135,508
Loss from operations	(11,506)	(2,611)
Other income (expense)		
Interest income	2	3
Interest expense	(1,824)	(2,083)
Change in valuation of interest rate swap	2,043	2,963
Non-operating income	266	8
Change in unrestricted net assets before deferred pension costs	(11,019)	(1,720)
Deferred pension costs	11	9
Change in unrestricted net assets	(11,008)	(1,711)
Unrestricted net assets, beginning of year	40,471	35,873
Unrestricted net assets, end of period	\$ 29,463	\$ 34,162

# Financial Statements - Statements of Cash Flows

## For the Month Ended June 30, 2012 and 2011 (\$ in Thousands)

	2012	2011
<b>Cash flows from operating activities:</b>		
Change in unrestricted net assets	\$ (11,008)	\$ (1,711)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	16,760	17,635
Amortization of debt issuance costs	70	70
Change in valuation of interest rate swap	(2,043)	(2,963)
Changes in operating assets and liabilities:		
Accounts receivable	3,261	(3,079)
Unbilled revenue	(4,055)	(3,782)
Prepaid expenses and other assets	1,486	(2,496)
Other long-term liabilities	29	(1)
Accounts payable	(6,660)	(2,508)
Accrued liabilities	(167)	800
Deferred revenue	(211)	(149)
Regulatory liabilities	56,193	44,707
Net cash provided by operating activities	<u>53,679</u>	<u>46,519</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(8,558)	(26,233)
Proceeds from sale of property and equipment	90	4
Net cash used in investing activities	<u>(8,468)</u>	<u>(26,229)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of notes payable	55,000	-
Repayment of notes payable	(94,137)	(73,637)
Increase in restricted cash	(34,883)	(94,459)
(Decrease) increase in market settlement liabilities	(75,621)	209,579
Increase in security deposits	34,883	94,459
Net cash (used in) provided by financing activities	<u>(114,758)</u>	<u>135,942</u>
Net change in cash and cash equivalents	(69,547)	156,232
Cash and cash equivalents, beginning of year	246,803	69,556
Cash and cash equivalents, end of period	<u>\$ 177,256</u>	<u>\$ 225,788</u>