



Tab 4.2: Financial Summary

H.B. "Trip" Doggett
President and Chief Executive Officer

Board of Directors Meeting
ERCOT Public
December 11, 2012

Financial Performance - As of November 30, 2012

(\$ in Millions)

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

REVENUES

\$5.1 Million favorable 2011 carry forward
\$1.1 Million unfavorable system administration fees
\$0.8 Million favorable membership fees & other revenues

EXPENSES

\$4.2 Million unfavorable outside services
\$2.5 Million favorable salary & related benefits
\$1.6 Million favorable hardware & software maintenance & licensing

YEAR-END PERFORMANCE FORECAST: \$4.2 MILLION FAVORABLE

REVENUES

\$5.1 Million favorable 2011 carry forward
\$0.8 Million favorable membership fees & other revenue
\$0.9 Million unfavorable system administration fees

EXPENSES

\$4.6 Million unfavorable outside services
\$2.6 Million favorable salary & related benefits
\$1.8 Million favorable hardware & software maintenance & licensing

Financial Summary - As of November 30, 2012

(\$ in Millions)

	Year to Date				End of Year			
	Budget	Actual	Variance		Budget	Forecast	Variance	
			\$	%			\$	%
Operating revenues								
System administration fees	\$ 126.8	\$ 125.7	\$ (1.1)	(0.9)	\$ 137.7	\$ 136.8	\$ (0.9)	(0.7)
Reliability organization pass-through	12.0	12.0	-	-	13.1	13.1	-	-
Membership fees and other	3.3	4.1	0.8	24.2	3.6	4.4	0.8	22.2
2011 carry forward	13.7	18.8	5.1	37.2	13.7	18.8	5.1	37.2
Total - Operating revenues	155.8	160.6	4.8	3.1	168.1	173.1	5.0	3.0
Operating expenses (excluding depreciation)								
Salaries and related benefits	68.2	65.7	2.5	3.7	74.4	71.8	2.6	3.5
Facility and equipment costs	12.2	11.3	0.9	7.4	13.3	12.5	0.8	6.0
Hardware and software maintenance and licensing	18.4	16.8	1.6	8.7	20.1	18.3	1.8	9.0
Outside services	6.4	10.6	(4.2)	(65.6)	7.0	11.6	(4.6)	(65.7)
Reliability organization assessment	12.0	12.0	-	-	13.1	13.1	-	-
Other	4.6	5.3	(0.7)	(15.2)	5.0	5.6	(0.6)	(12.0)
Subtotal - Operating expenses	121.8	121.7	0.1	0.1	132.9	132.9	(0.0)	(0.0)
Revenue-funded project expenditures (40%)	6.0	6.1	(0.1)	(1.7)	6.0	6.5	(0.5)	(8.3)
Principal repayment	24.0	24.0	-	-	26.2	26.2	-	-
Interest expense	2.8	3.1	(0.3)	(10.7)	3.0	3.3	(0.3)	(10.0)
Total - Expenses	154.6	154.9	(0.3)	(0.2)	168.1	168.9	(0.8)	(0.5)
Excess of revenues over expenses	\$ 1.2	\$ 5.7	\$ 4.5	375.0	\$ -	\$ 4.2	\$ 4.2	n/a

Project Expenditures - As of November 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	2.8	2.3	0.5	17.9	6.8	6.8	-	-
Energy Management System (EMS) Upgrade	0.3	0.3	-	-	5.0	5.0	-	-
Information Lifecycle Management	1.2	1.2	-	-	2.0	2.0	-	-
Texas Standard Electronic Transaction (SET) 4.0	1.8	1.8	-	-	1.8	1.8	-	-
Oracle 11G Upgrade	1.2	0.9	0.3	25.0	2.0	2.0	-	-
Minor Capital	1.2	1.2	-	-	1.3	1.5	(0.2)	(15.4)
SCR760 Info Model Manager & Topology Processor	0.6	0.6	-	-	1.1	1.1	-	-
Content Management System (CMS) and Market Information Repository (MIR) Replacement	0.2	0.2	-	-	1.0	1.0	-	-
Security Admin Gateway Environment (SAGE)	1.2	0.9	0.3	25.0	0.9	0.9	-	-
Capital Efficiencies & Enhancements	0.8	0.8	-	-	0.8	0.8	-	-
Congestion Revenue Rights (CRR) Upgrade	0.6	0.3	0.3	50.0	0.8	0.7	0.1	12.5
NPRR351-Security Constrained Economic Dispatch (SCED) Look Ahead Step 1: Indicative Pricing	0.7	0.5	0.2	28.6	0.7	0.5	0.2	28.6
MarkeTrak Upgrade/Enhancements for 4.0	0.7	0.7	-	-	0.7	0.7	-	-
NPRR347/NPRR400 Implementation	0.7	0.8	(0.1)	(14.3)	0.7	0.8	(0.1)	(14.3)
Siebel Upgrade	0.2	0.2	-	-	0.7	0.7	-	-
Taylor Facilities Upgrade	0.7	0.6	0.1	14.3	0.7	0.6	0.1	14.3
Other Portfolio Projects	6.9	6.2	0.7	10.1	9.2	8.5	0.7	7.6
Total - Portfolio Projects	\$ 66.5	\$ 63.4	\$ 3.1	4.7	\$ 80.9	\$ 79.3	\$ 1.6	2.0

Outside Services Budget vs. Actual - As of November 30, 2012

Line	Service Description	Annual Budget	Year-to-Date Actual	\$ Variance	% Spent
1	Independent Market Monitoring services	\$ 2,800,000	\$ 2,566,667	\$ 233,333	91.7%
2	TRE Protocol Services	1,000,000	915,842	84,158	91.6%
3	PUCT mandated end user switch notifications.	730,400	455,256	275,144	62.3%
4	Expenses associated with the ongoing support and administration of the Board of Directors: <ul style="list-style-type: none"> • Independent member compensation • Business expense reimbursement • Special meetings and retreats 	554,000	456,615	97,385	82.4%
5	Outside legal services for specialized legal knowledge and skills not possessed by in-house legal staff or not requiring a full time position (e.g., litigation, expert witness fees, court reporting fees, employment/employee benefits, information technology, intellectual property, security/compliance, tax/financing, governance, insurance/risk management, records management, etc.).	550,000	303,787	246,213	55.2%
6	Annual financial statement audit, which must be performed externally, is mandatory to be compliant with PUCT rules. Amount includes additional fees assumed to be necessary to account for implications from Commodity Futures Trading Commission (CFTC) legislation.	145,000	101,292	43,708	69.9%
7	Statement on Standards for Attestation Engagements (SSAE 16) audit required to be performed by external, independent certified public accounting (CPA) firm.	86,100	78,925	7,175	91.7%
8	Cyber vulnerability assessment of the physical access control system as required by CIP 6 R2.2 and CIP 7 R8. Staff do not have technical skillset to perform this assessment.	80,000	-	80,000	0.0%
9	Managed services contract for availability and reliability of physical access control system and Internet Protocol (IP) based closed-circuit television (CCTV), which is integral to NERC CIP compliance. Physical Security staff do not have skill set or bandwidth to perform monthly patching, provide system maintenance, troubleshoot system, and resolve issues associated with the application, operating system, or hardware. Information Technology office does not provide necessary support due to non-standard hardware being utilized.	32,000	-	32,000	0.0%
10	Required statutory audit and filing of annual Internal Revenue Service (IRS) Form 990 which provides financial information for tax-exempt entities.	20,000	11,427	8,573	57.1%
11	Actuarial support to assist with the Financial Accounting Standards Board (FASB) 106 liability for post retiree medical benefits.	15,000	9,548	5,452	63.7%
12	Federal law requires independently audited benefit plan financial statements be filed via Internal Revenue Service (IRS) Form 5500.	15,000	12,100	2,900	80.7%
13					
14	Subtotal -Mandated Outside Services	\$ 6,027,500	\$ 4,911,458	\$ 1,116,042	81.5%

Outside Services Budget vs. Actual - As of November 30, 2012

Line	Service Description	Annual Budget	Year-to-Date Actual	\$ Variance	% Spent
16	Velocity - Lawson hosting services which would require hardware and three support specialists to host internally. It is cost beneficial to procure external hosting.	\$ 336,000	\$ 302,775	\$ 33,225	90.1%
17	Specialized legal expertise in the area of Immigration Assistance, as well as, filing fees associated with hiring non-US citizens. These services assist in recruiting Power Engineers and certain Information Technology functions. A full-time position is not necessary, therefore approximately half of the estimated amount is for legal services and the remaining half is for filing fees.	190,000	107,592	82,408	56.6%
18	Staff augmenting services, as needed, to assist with delivery of market participant training courses and training development support, as needed, in regards to web-based training assistance, materials, graphics art, etc...	84,400	-	84,400	0.0%
19	Partnership with University of Texas for two management/leadership training programs: • Professional Development Center • Cockrell School of Engineering's Center for Lifelong Engineering Education	75,000	41,636	33,364	55.5%
20	Modeled wind generation patterns study for use in various planning tasks and reliability analyses. Despite known improvement needs, wind patterns developed during the Competitive Renewable Energy Zones (CREZ) study are being used for multiple planning activities. Recommended study will provide updated wind patterns that are tied to facility geography, be based on numerous improvements in wind forecasting information, and provide better correlation with weather information used for load forecasting. The patterns will allow more efficiency in transmission development and improved analysis of system reserve margin needs. In addition, this data will facilitate a Loss of Load Probability analysis that NERC is requiring be performed in 2012.	75,000	-	75,000	0.0%
21	External data and compensation reviews/comparisons for specific positions.	60,000	36,221	23,779	60.4%
22	Develop methods and models to validate PSCAD software methodology in determining risk of subsynchronous resonance/interaction between Competitive Renewable Energy Zones (CREZ) series capacitors and generating units.	50,000	-	50,000	0.0%
23	Courier services necessary for mail collection, routing, and distribution.	50,000	24,932	25,068	49.9%
24	Assistance with annual inventory of fixed assets.	17,000	12,122	4,878	71.3%
25					
26	Subtotal -Discretionary Outside Services	\$ 937,400	\$ 525,278	\$ 412,122	56.0%

Outside Services Budget vs. Actual - As of November 30, 2012

Line		Service Description	Annual Budget	Year-to-Date Actual	\$ Variance	% Spent
28	Unbudgeted Initiatives	EMMS staff augmentation services (3)	\$ -	\$ 435,586	\$ (435,586)	-
29		Chief of staff services (1)	-	408,386	(408,386)	-
30		Market design staff augmentation services (3)	-	390,100	(390,100)	-
31		SE&A staff augmentation services (6)	-	338,331	(338,331)	-
32		Market design staff augmentation services (3)	-	338,280	(338,280)	-
33		Application developer staff augmentation services (4)	-	285,425	(285,425)	-
34		Release management staff augmentation services (3)	-	212,424	(212,424)	-
35		Technical architect staff augmentation services (3)	-	141,898	(141,898)	-
36		Project Support Analyst/Engineer studies of impacts to generation resources (1)	-	62,805	(62,805)	-
37		Help desk staff augmentation services (2)	-	53,940	(53,940)	-
38		Brocade (Hitachi) expert consulting services	-	47,727	(47,727)	-
39		Security consulting services	-	45,600	(45,600)	-
40		Model administration staff augmentation services (1)	-	41,490	(41,490)	-
41		Procurement staff augmentation services (2)	-	40,112	(40,112)	-
42		Enterprise architect staff augmentation services (1)	-	27,132	(27,132)	-
43		Storage staff augmentation services (1)	-	16,168	(16,168)	-
44		Project Management staff augmentation services (1)	-	9,890	(9,890)	-
45		Financial Analyst staff augmentation (1)	-	5,742	(5,742)	-
46	Unbudgeted Initiatives	Enterprise Information Systems staff augmentation services (1)	-	4,704	(4,704)	-
47		Allegis Administration Service Fee	-	15,009	(15,009)	-
48						
49		Subtotal - Unbudgeted Staff Augmentation	\$ -	\$ 2,920,748	\$ (2,920,748)	-
50						
51		Post-Nodal audit	\$ -	\$ 1,122,628	\$ (1,122,628)	-
52		Resource adequacy study/workshops with PUCT commissioners	-	436,668	(436,668)	-
53		Loss of load probability study	-	158,424	(158,424)	-
54		Central counterparty compliance assessment	-	119,545	(119,545)	-
55		Gas curtailment study	-	110,522	(110,522)	-
56		Prepaid professional storage services	-	65,509	(65,509)	-
57		Compliance review of generation interconnection requirements	-	50,640	(50,640)	-
58		Expenses related to property tax evaluations	-	34,651	(34,651)	-
59		Outplacement Services	-	18,500	(18,500)	-
60		Outside Legal services in regards to the Met Center lease negotiation.	-	16,392	(16,392)	-
61		Invoice processing automation consulting services	-	16,015	(16,015)	-
62		Black Box and Telecom Services	-	9,422	(9,422)	-
63		Onsite training: Legal Discovery using Symantec Enterprise Vault Discovery Accelerator	-	8,600	(8,600)	-
64	Unbudgeted Initiatives	Framework for cost/benefit analysis of ERCOT Fast Responding Regulation Service project	-	7,665	(7,665)	-
65		Media training session	-	6,249	(6,249)	-
66		Lawson professional training	-	2,700	(2,700)	-
67		Other miscellaneous activity	-	97,289	(97,289)	-
68						
69		Subtotal - Unbudgeted Other Services	\$ -	\$ 2,281,419	\$ (2,281,419)	-
70						
71		Total - Outside Services	\$ 6,964,900	\$10,638,903	\$ (3,674,003)	152.8%

Projected Recovery of Nodal Program Implementation Costs- As of November 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
	Jul-12	63,874,178	238,986	-	12,715,307	51,397,857
	Aug-12	51,397,857	188,086	-	13,290,575	38,295,369
	Sep-12	38,295,369	130,164	-	11,085,053	27,340,480
	Oct-12	27,340,480	92,246	-	9,568,832	17,863,895
	Nov-12	17,863,895	46,757	-	8,161,125	9,749,527
Estimate	Dec-12	9,749,527	53,074	-	9,788,166	14,435
	Jan-13	14,435	605	-	15,040	-
	Feb-13	-	-	-	-	-
	Total	na	\$ 11,179,760	\$ 23,830,430	\$ 257,697,579	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 January 1, 2013.