



Item 7.1: Review of 2014 Financial Summary

Sean Taylor
Controller

Finance & Audit Committee
ERCOT Public
April 7, 2014

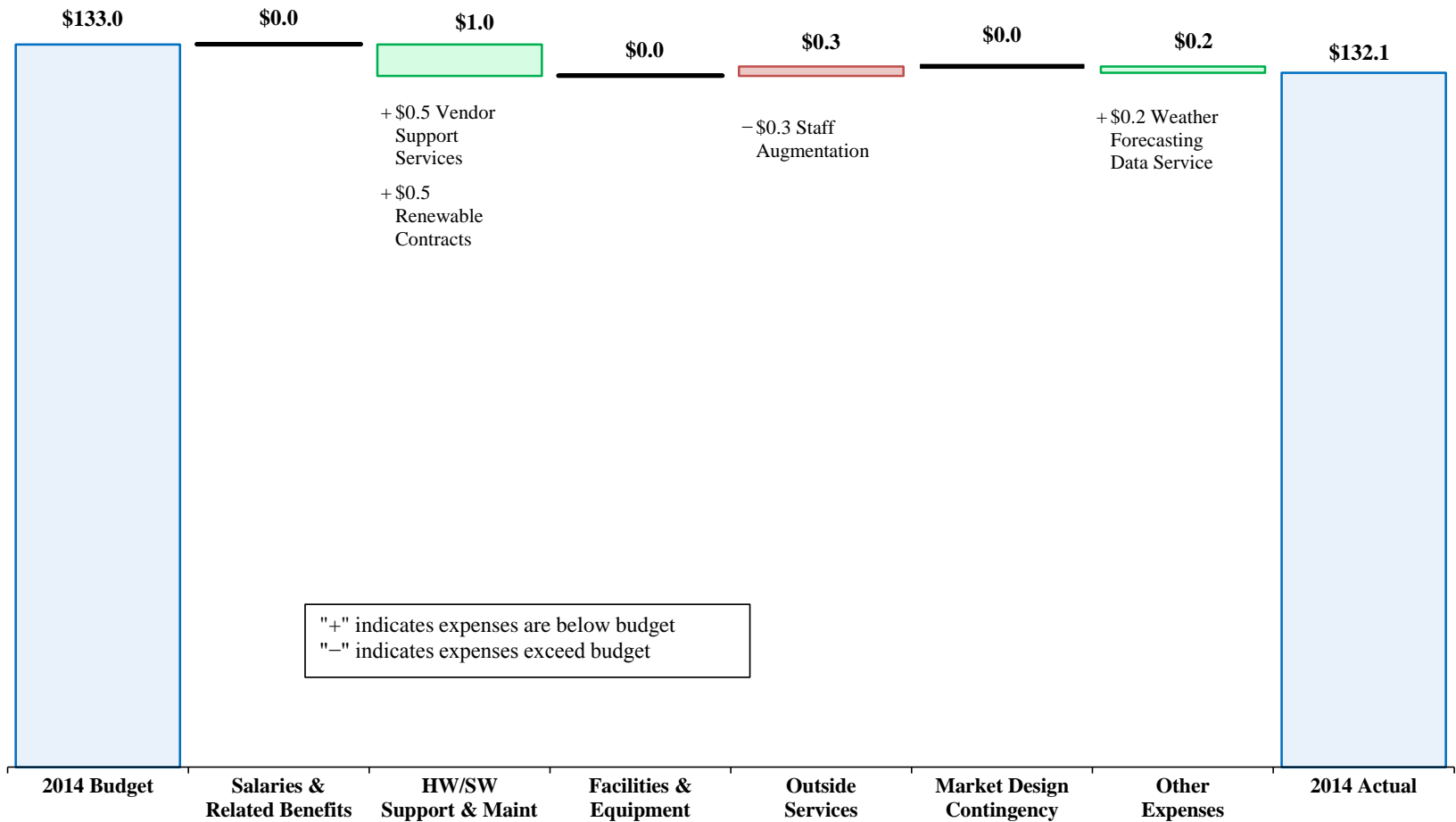
Review of 2014 Financial Variances to Budget

As of February 28, 2014 (\$ in Millions)

		Year End Forecast		Year to Date thru Feb 28			
Revenue	System Admin Fee	●	\$ -	0.0%	●	\$ 1.7	7.4%
Sources	Other Revenue	●	\$ 0.1	9.1%	●	\$ 0.1	33.3%
		●	\$ 0.1	0.1%	●	\$ 1.8	7.7%
Base	Salaries and Benefits	●	\$ -	0.0%	●	\$ 0.3	2.1%
Operating	HW/SW Support & Maint	●	\$ 1.0	4.8%	●	\$ 0.8	23.5%
Expenses	Facilities & Equipment	●	\$ -	0.0%	●	\$ -	0.0%
	Outside Services	●	\$ (0.3)	-3.3%	●	\$ (0.4)	-28.6%
	Market Design Contingency	●	\$ -	0.0%	●	\$ -	0.0%
	Other Expenses	●	\$ 0.2	3.1%	●	\$ 0.3	27.3%
		●	\$ 0.9	0.7%	●	\$ 1.0	4.6%
Net Revenues After							
Base Operating Expenses		●	\$ 1.0	3.6%	●	\$ 2.8	186.7%
Investing & Financing	Project Expenditures	●	\$ -	0.0%	●	\$ (0.3)	-7.9%
	Interest Expense	●	\$ -	0.0%	●	\$ -	0.0%
Net Available for Principal Payments		●	\$ 1.0		●	\$ 2.5	

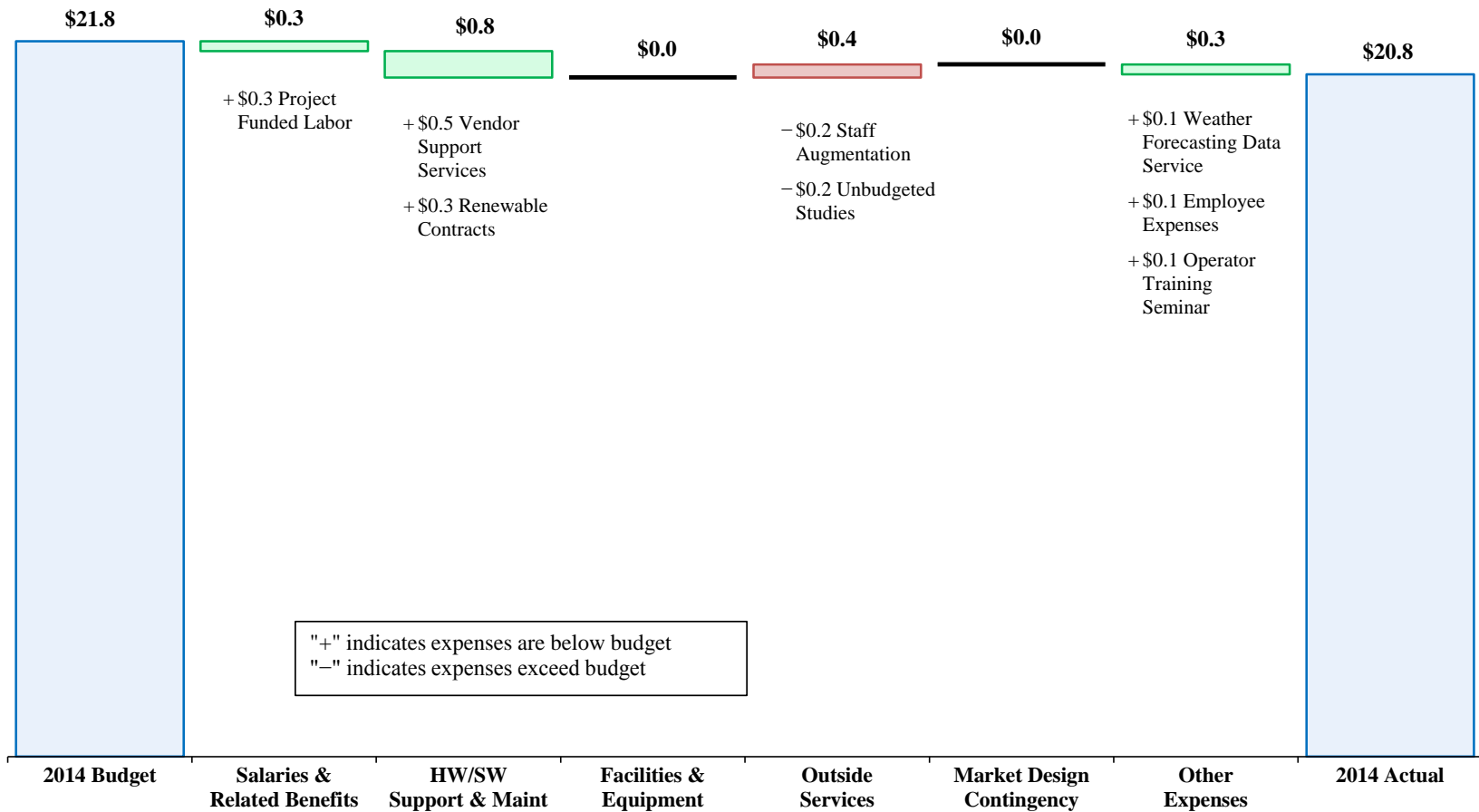
Electric Reliability Council of Texas, Inc.
 Year End: Base Operating Expense Variance
 As of February 28, 2014
 (\$ in Millions)

Forecasted expenses of \$132.1 M results in a year end financial performance being under budget by \$0.9 M or 0.7%.



Electric Reliability Council of Texas, Inc.
Year to Date: Base Operating Expense Variance
As of February 28, 2014
(\$ in Millions)

Actual expenses of \$20.8 M result in the year to date financial performance being under budget by \$1.0 M or 4.6%.



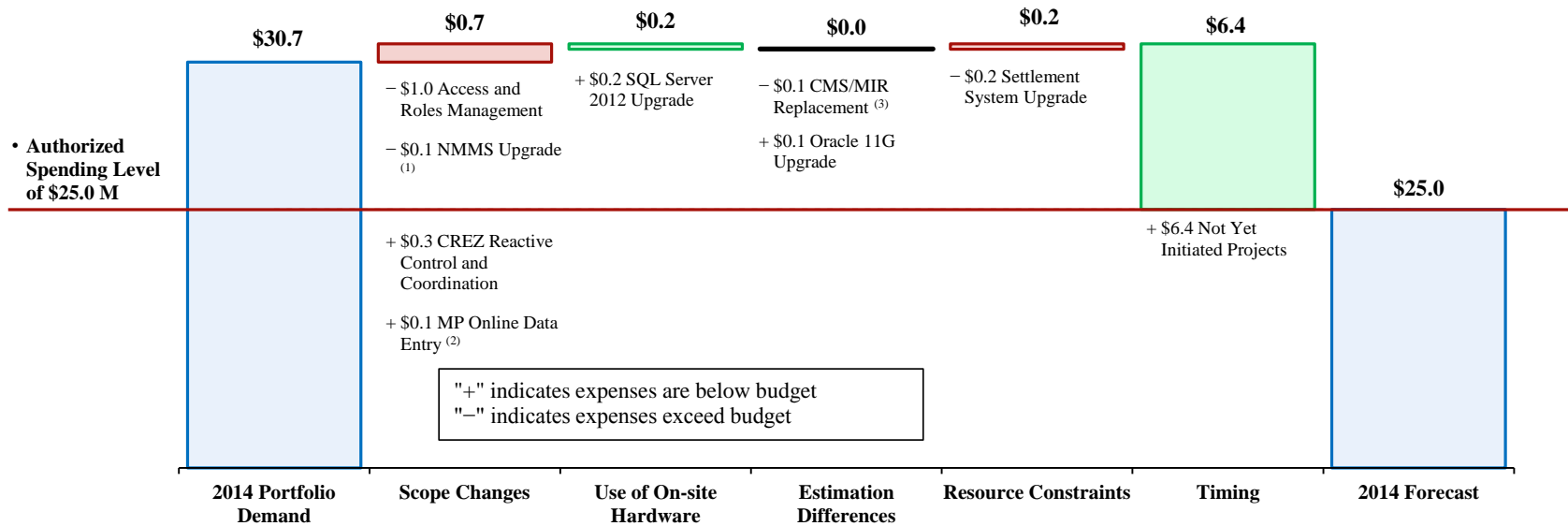
Electric Reliability Council of Texas, Inc.
2014 Financial Summary
As of February 28, 2014
(\$ in Millions)

Line	Year End					Year to Date				
	2013	2014			Variance	2013	2014			Variance
	Actual	Budget	Forecast	\$		%	Actual	Budget	Actual	
1	Revenue Sources									
2	\$ 138.7	\$ 159.3	\$ 159.3	\$ -	-	\$ 19.6	\$ 23.0	\$ 24.7	\$ 1.7	7.4
3	1.6	1.1	1.2	0.1	9.1	0.5	0.3	0.4	0.1	33.3
4	\$ 140.3	\$ 160.4	\$ 160.5	\$ 0.1	0.1	\$ 20.1	\$ 23.3	\$ 25.1	\$ 1.8	7.7
5										
6	Base Operating Expenses									
7	\$ 77.7	\$ 86.4	\$ 86.4	\$ -	-	\$ 13.3	\$ 14.4	\$ 14.1	\$ 0.3	2.1
8	16.9	20.7	19.7	1.0	4.8	2.6	3.4	2.6	0.8	23.5
9	8.3	9.2	9.2	-	-	1.4	1.5	1.5	-	-
10	10.5	9.2	9.5	(0.3)	(3.3)	1.5	1.4	1.8	(0.4)	(28.6)
11	-	1.0	1.0	-	-	-	-	-	-	-
12	6.3	6.5	6.3	0.2	3.1	0.9	1.1	0.8	0.3	27.3
13	\$ 119.7	\$ 133.0	\$ 132.1	\$ 0.9	0.7	\$ 19.7	\$ 21.8	\$ 20.8	\$ 1.0	4.6
14										
15	\$ 20.6	\$ 27.4	\$ 28.4	\$ 1.0	3.6	\$ 0.4	\$ 1.5	\$ 4.3	\$ 2.8	186.7
16										
17	\$ 3.5	\$ -	\$ -	\$ -	-	\$ 3.5	\$ -	\$ -	\$ -	-
18	16.4	25.0	25.0	-	-	1.7	3.8	4.1	(0.3)	(7.9)
19	2.4	2.6	2.6	-	-	0.4	0.4	0.4	-	-
20	\$ 5.3	\$ (0.2)	\$ 0.8	\$ 1.0	500.0	\$ 1.8	\$ (2.7)	\$ (0.2)	\$ 2.5	92.6

Note: Wide Area Network (WAN) service revenues and reimbursable equipment and service costs are excluded.

Electric Reliability Council of Texas, Inc.
Portfolio Demand vs. Year End (YE) Forecast - Project Expenditures
 As of February 28, 2014
 (\$ in Millions)

Forecasted expenditures of \$25.0 M results in a year end financial performance being on budget.



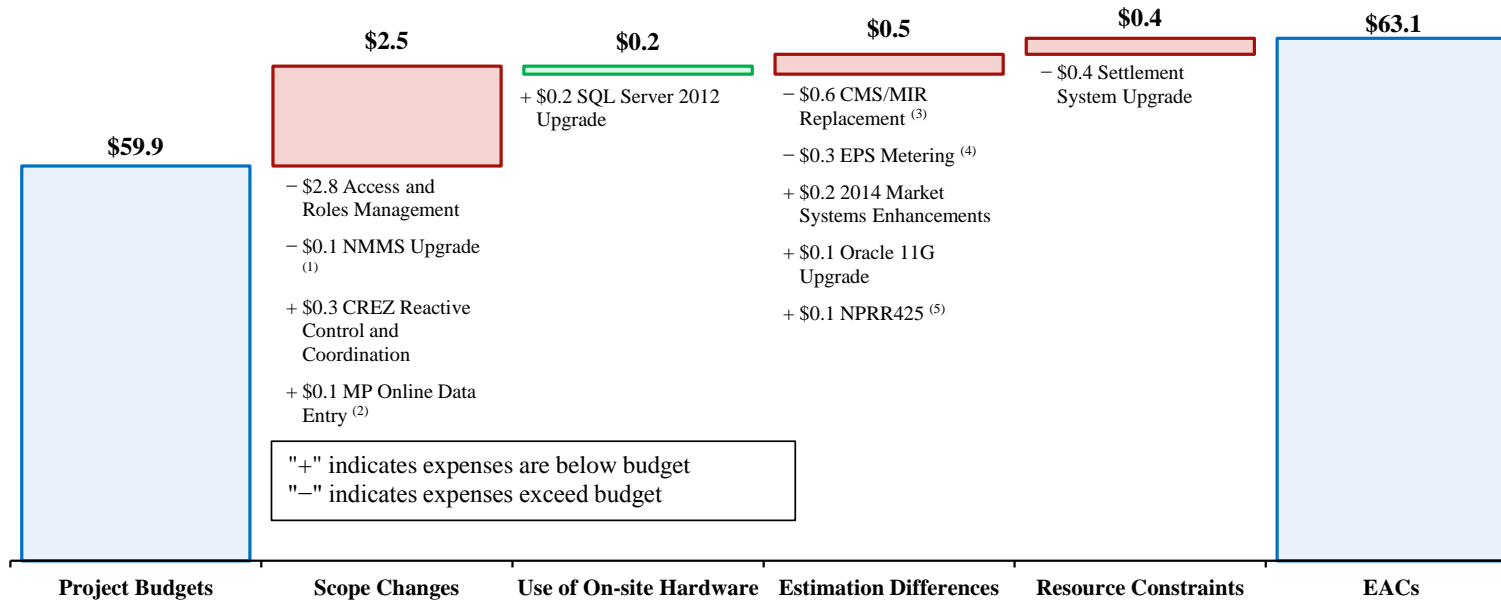
Abbreviated Project Listing

- (1) Network Model Management System Upgrade
- (2) Market Participant Online Data Entry
- (3) Content Management System and Market Information Repository Replacement

Electric Reliability Council of Texas, Inc.
Project Budgets vs. Estimates at Completion (EACs) - Project Expenditures
As of February 28, 2014
(\$ in Millions)

Note: Only includes projects that have activity in the current fiscal year. Projects included may span multiple years from 2010 - 2016.

EAC forecast of \$63.1 M results in a projection of \$3.2 M or 5.3% over budget.



Abbreviated Project Listing

- | | |
|---|--|
| (1) Network Model Management System Upgrade | (4) ERCOT-polled Settlement Metering |
| (2) Market Participant Online Data Entry | (5) NPRR425 - Creation of a Wind-powered Generation Resource (WGR) Group for Generation Resource Energy Deployment Performance (GREDP) and Base Point Deviation Evaluation |
| (3) Content Management System and Market Information Repository Replacement | |

Electric Reliability Council of Texas, Inc.
 Summary of Portfolio Demand vs. Year End (YE) Forecast - Project Expenditures
 As of February 28, 2014
 (\$ in Millions)

Project Name [Projects listed are at or above \$0.7 Million Estimate at Completion (EAC) Budget threshold]	Current Phase	Ranking Based on PPL Priority: January 1, 2014	Ranking Based on PPL Priority: Current	Year to Date		Year End					
				Year to Date Project Actual	% Spend to Year End Forecast	Project Budget	Project Forecast	Variance			
								\$	%		
Regulatory											
2014 Market System Enhancements	Execution	1	1	\$ 0.4	36.4	\$ 1.1	\$ 1.1	\$ -	-		
Business Strategy											
Market Participant Online Data Entry: Phase 1	Planning	1	1	0.1	16.7	0.7	0.6	0.1	14.3		
Market Participant Online Data Entry: Phase 2	Not Yet Initiated	2	2	-	-	0.2	0.2	-	-		
Technical Foundation											
Settlement System Upgrade	Execution	1	1	0.4	18.2	2.0	2.2	(0.2)	(10.0)		
Oracle 11G Upgrade	Execution	2	2	0.1	50.0	0.3	0.2	0.1	33.3		
Energy Management System (EMS) Upgrade	Planning	3	3	0.5	20.0	2.5	2.5	-	-		
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Planning	4	4	0.3	13.6	2.2	2.2	-	-		
2013 / 2014 Network Refresh	Planning	5	5	0.5	41.7	1.2	1.2	-	-		
SQL Server 2012 Upgrade / Cluster	Initiation	6	6	-	-	0.9	0.7	0.2	22.2		
Cyber Security Project #14	Planning	7	7	-	-	0.7	0.7	-	-		
Voice Over IP (VOIP) Replacement for PBX	Not Yet Initiated	8	8	-	-	0.3	0.3	-	-		
Efficiencies / Enhancements											
Content Management System (CMS) and Market Information Repository (MIR) Replacement	Execution	1	1	0.3	75.0	0.3	0.4	(0.1)	(33.3)		
Taylor Control Room Upgrade	Execution	2	2	0.3	8.3	3.6	3.6	-	-		
Projects Below \$0.7 Million EAC Budget Threshold by Phase											
	Complete			-	n/a	-	-	-	n/a		
	Closing			0.1	100.0	0.1	0.1	-	-		
	Stabilization			0.1	50.0	0.2	0.2	-	-		
	Execution			0.4	21.1	1.9	1.9	-	-		
	Planning			0.2	18.2	1.3	1.1	0.2	15.4		
	Initiation			-	-	0.7	1.7	(1.0)	(142.9)		
	On Hold			-	-	0.2	0.2	-	-		
	Not Yet Initiated			-	-	9.2	2.8	6.4	69.6		
Other Project Spend											
Minor Capital	Execution			0.2	11.1	1.8	1.8	-	-		
Capital Efficiencies & Enhancements	Execution			0.2	33.3	0.6	0.6	-	-		
Variance of Completed Projects					n/a	-	-	-	n/a		
Variance of In-flight & Not Yet Initiated Projects					n/a	(7.0)	(1.3)	(5.7)	n/a		
Total - Portfolio Projects				\$ 4.1	16.4	\$ 25.0	\$ 25.0	\$ -	-		

Electric Reliability Council of Texas, Inc.
 Summary of Project Budgets vs. Estimates at Completion (EACs) - Project Expenditures
 As of February 28, 2014
 (\$ in Millions)

Project Name [Projects listed are at or above \$0.7 Million Estimate at Completion (EAC) Budget threshold]	Current Phase	Ranking Based on PPL Priority: January 1, 2014	Ranking Based on PPL Priority: Current	Life to Date		Estimate at Completion (EAC)							
				Life to Date Project Actual	% Spend to EAC Forecast	Project Budget	Project Forecast	Variance					
								\$	%				
Regulatory													
2014 Market System Enhancements	Execution	1	1	\$ 0.5	41.7	\$ 1.4	\$ 1.2	\$ 0.2	14.3				
Business Strategy													
Market Participant Online Data Entry: Phase 1	Planning	1	1	0.1	14.3	0.8	0.7	0.1	12.5				
Market Participant Online Data Entry: Phase 2	Not Yet Initiated	2	2	-	-	1.0	1.0	-	-				
Technical Foundation													
Settlement System Upgrade	Execution	1	1	5.3	73.6	6.8	7.2	(0.4)	(5.9)				
Oracle 11G Upgrade	Execution	2	2	2.2	95.7	2.4	2.3	0.1	4.2				
Energy Management System (EMS) Upgrade	Planning	3	3	2.1	24.1	8.7	8.7	-	-				
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Planning	4	4	1.1	28.2	3.9	3.9	-	-				
2013 / 2014 Network Refresh	Planning	5	5	0.6	50.0	1.2	1.2	-	-				
SQL Server 2012 Upgrade / Cluster	Initiation	6	6	-	-	0.9	0.7	0.2	22.2				
Cyber Security Project #14	Planning	7	7	-	-	0.7	0.7	-	-				
Voice Over IP (VOIP) Replacement for PBX	Not Yet Initiated	8	8	-	-	0.8	0.8	-	-				
Efficiencies / Enhancements													
Content Management System (CMS) and Market Information Repository (MIR) Replacement	Execution	1	1	1.3	86.7	0.9	1.5	(0.6)	(66.7)				
Taylor Control Room Upgrade	Execution	2	2	0.5	13.5	3.7	3.7	-	-				
Projects Below \$0.7 Million EAC Budget Threshold by Phase													
	Complete			-	n/a	-	-	-	n/a				
	Closing			0.2	100.0	0.2	0.2	-	-				
	Stabilization			0.3	75.0	0.5	0.4	0.1	20.0				
	Execution			1.9	55.9	3.1	3.4	(0.3)	(9.7)				
	Planning			0.9	50.0	2.0	1.8	0.2	10.0				
	Initiation			-	-	0.7	3.5	(2.8)	(400.0)				
	On Hold			-	-	0.2	0.2	-	-				
	Not Yet Initiated			-	-	17.6	17.6	-	-				
Other Project Spend													
Minor Capital	Execution			0.2	11.1	1.8	1.8	-	-				
Capital Efficiencies & Enhancements	Execution			0.2	33.3	0.6	0.6	-	-				
Total - Portfolio Projects				\$ 17.4	27.6	\$ 59.9	\$ 63.1	\$ (3.2)	(5.3)				

Preliminary - Unaudited

Electric Reliability Council of Texas, Inc.
Statements of Financial Position
As of February 28, 2014 and 2013
(\$ in Thousands)

	2014		2013	
Assets				
Current assets:				
Cash and cash equivalents	\$	352,047	\$	288,894
Accounts receivable		5,076		3,645
Unbilled revenue		2,667		3,272
Restricted cash		563,796		418,684
Prepaid expenses and other current assets		17,436		11,961
Total current assets		941,022		726,456
Property and equipment, net		184,993		271,530
Systems under development		19,242		11,359
Debt issuance cost		294		541
Total assets	\$	1,145,551	\$	1,009,886
Liabilities and Unrestricted Net Assets				
Current liabilities:				
Accounts payable	\$	6,554	\$	1,080
Accrued liabilities		8,687		7,821
Deferred revenue		5,016		4,192
Market settlement liabilities		374,615		295,793
Security deposits		563,796		418,684
Notes payable, current portion		17,630		17,637
Total current liabilities		976,298		745,207
Notes payable		71,000		88,630
Regulatory liabilities		88,665		155,746
Other long term liabilities		419		398
Total liabilities		1,136,382		989,981
Unrestricted net assets		9,169		19,905
Total liabilities and unrestricted net assets	\$	1,145,551	\$	1,009,886

Preliminary - Unaudited

Electric Reliability Council of Texas, Inc.
Statements of Activities and Net Assets
For the Two Months Ended February 28, 2014 and 2013
(\$ in Thousands)

	2014	2013
Operating revenues		
System administration fees	\$ 24,702	\$ 19,618
Nodal implementation surcharge	-	297
Reliability organization pass-through	2,392	1,954
Membership fees and other	947	1,235
Total operating revenues	28,041	23,104
Operating expenses		
Salaries and related benefits	14,136	13,522
Depreciation	4,625	5,619
Facility and equipment costs	1,898	1,933
Outside services	1,903	1,610
Hardware and software maintenance and licensing	2,715	2,682
Reliability organization assessment	2,392	1,954
Other	829	913
Amortization of regulatory asset	-	297
Total operating expenses	28,498	28,530
(Loss) from operations	(457)	(5,426)
Other income (expense)		
Interest income	3	3
Interest expense	(535)	(688)
Non-operating income	-	-
Change in unrestricted net assets	(989)	(6,111)
Unrestricted net assets, beginning of year	10,158	26,016
Unrestricted net assets, end of period	\$ 9,169	\$ 19,905

Preliminary - Unaudited

Electric Reliability Council of Texas, Inc.
Statements of Cash Flows
For the Two Months Ended February 28, 2014 and 2013
(\$ in Thousands)

	<u>2014</u>	<u>2013</u>
Operating activities:		
Change in unrestricted net assets	\$ (989)	\$ (6,111)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	4,625	5,619
Amortization of debt issuance costs	29	23
Changes in operating assets and liabilities:		
Accounts receivable	(2,882)	220
Unbilled revenue	546	3,096
Prepaid expenses and other assets	(7,269)	3,009
Other long-term liabilities	-	(1)
Accounts payable	3,196	(1,125)
Accrued liabilities	(295)	(12)
Deferred revenue	1,139	910
Regulatory liabilities	-	298
Net cash (used in) provided by operating activities	<u>(1,900)</u>	<u>5,926</u>
Investing activities:		
Capital expenditures for property and equipment and systems under development	(4,192)	(1,932)
Proceeds from sale of property and equipment	-	-
Net cash used in investing activities	<u>(4,192)</u>	<u>(1,932)</u>
Financing activities:		
Proceeds from issuance of notes payable	\$ -	\$ -
Repayment of notes payable	-	-
Payment of debt issuance costs	(5)	(4)
Decrease in restricted cash	85,321	53,192
Increase (decrease) in market settlement liabilities	22,903	(34,358)
(Decrease) in security deposits	(85,321)	(53,192)
Net cash provided by (used in) financing activities	<u>22,898</u>	<u>(34,362)</u>
Net increase (decrease) in cash and cash equivalents	16,806	(30,368)
Cash and cash equivalents, beginning of year	335,241	319,262
Cash and cash equivalents, end of period	<u>\$ 352,047</u>	<u>\$ 288,894</u>