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## **Item 8.2: Financial Summary**

*H. B. "Trip" Doggett*

President & Chief Executive Officer

Board of Directors Meeting

ERCOT Public

October 13 - 14, 2014

# Financial Summary: Variance to Budget (\$ in Millions)

## Net Revenues After Base Operating Expenses as of August 31, 2014

### Net Revenues Year to Date: \$0.7 M Favorable

#### Major Revenue Variances

\$1.3 M under budget system administration fees due to milder-than-expected temperatures

#### Major Expense Variances

\$1.6 M under budget hardware/software vendor support services due to more work on projects

\$1.1 M under budget employee labor cost due to more efforts charged to projects

\$0.9 M under budget hardware/software maintenance due to contract renewals negotiated at lower rates

\$1.2 M over budget external staffing due to backfilling permanent positions

### Net Revenues Year End: \$0.9 M Favorable

#### Major Revenue Variances

\$1.2 M under budget system administration fees due to milder-than-expected temperatures

#### Major Expense Variances

\$1.4 M under budget hardware/software maintenance due to contract renewals negotiated at lower rates

\$1.1 M under budget employee labor cost due to more efforts charged to projects

\$1.0 M under budget hardware/software vendor support services due to more work on projects

\$1.0 M under budget market design contingency will not be utilized

\$0.9 M under budget facilities and equipment due to lower property taxes and electricity consumption

\$1.8 M over budget external staffing due to backfilling permanent positions

\$1.5 M over budget due to external studies, training, and other outside services

# Financial Summary: Statement of Activities and Net Assets

## For the Eight Months Ended August 31, 2014 and 2013 (\$ in Millions)

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets	\$ 890.0	\$ 1,023.6
Long term assets	171.3	241.8
Total assets	<u>\$ 1,061.3</u>	<u>\$ 1,265.4</u>
<b>Liabilities and Unrestricted Net Assets</b>		
Current liabilities	\$ 923.5	\$ 1,054.8
Long term liabilities	124.9	195.4
Unrestricted net assets	12.9	15.2
Total liabilities and unrestricted net assets	<u>\$ 1,061.3</u>	<u>\$ 1,265.4</u>

# Financial Summary: Statement of Financial Position

## As of August 31, 2014 and 2013 (\$ in Millions)

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 120.7	\$ 105.3
Operating expenses	116.3	113.5
Gain (Loss) from operations	4.4	(8.2)
Other income (expense)	(1.7)	(2.6)
Change in unrestricted net assets	2.7	(10.8)
Unrestricted net assets, beginning of year	10.2	26.0
Unrestricted net assets, end of period	<u>\$ 12.9</u>	<u>\$ 15.2</u>

## Appendices

Electric Reliability Council of Texas, Inc.  
2014 Financial Summary  
As of August 31, 2014  
(\$ in Millions)

Line	Year to Date						Year End					
	2013		2014			Variance	2013		2014			Variance
	Actual	Budget	Actual	\$	%		Actual	Budget	Forecast	\$	%	
1	<b>Revenue Sources</b>											
2	\$ 93.1	\$ 109.1	\$ 107.8	\$ (1.3)	(1.2)	\$ 138.7	\$ 159.3	\$ 158.1	\$ (1.2)	(0.8)		
3	1.1	0.7	1.2	0.5	71.4	1.6	1.1	1.2	0.1	9.1		
4	<b>\$ 94.2</b>	<b>\$ 109.8</b>	<b>\$ 109.0</b>	<b>\$ (0.8)</b>	<b>(0.7)</b>	<b>\$ 140.3</b>	<b>\$ 160.4</b>	<b>\$ 159.3</b>	<b>\$ (1.1)</b>	<b>(0.7)</b>		
5												
6	<b>Base Operating Expenses</b>											
7	\$ 43.5	\$ 48.0	\$ 49.1	\$ (1.1)	(2.3)	\$ 65.9	\$ 72.0	\$ 72.2	\$ (0.2)	(0.3)		
8	14.1	15.9	15.8	0.1	0.6	20.1	22.6	22.6	-	-		
9	(5.3)	(6.1)	(7.2)	1.1	(18.0)	(8.4)	(8.3)	(9.4)	1.1	(13.3)		
10	<b>\$ 52.3</b>	<b>\$ 57.8</b>	<b>\$ 57.7</b>	<b>\$ 0.1</b>	<b>0.2</b>	<b>\$ 77.6</b>	<b>\$ 86.3</b>	<b>\$ 85.4</b>	<b>\$ 0.9</b>	<b>1.0</b>		
11	11.3	14.0	11.5	2.5	17.9	16.9	19.7	17.3	2.4	12.2		
12	5.3	6.2	5.8	0.4	6.5	8.3	9.2	8.3	0.9	9.8		
13	6.6	5.9	7.7	(1.8)	(30.5)	10.5	9.2	12.5	(3.3)	(35.9)		
14	-	-	-	-	-	-	1.0	-	1.0	100.0		
15	4.2	4.4	4.1	0.3	6.8	6.3	6.5	6.4	0.1	1.5		
16	<b>\$ 79.7</b>	<b>\$ 88.3</b>	<b>\$ 86.8</b>	<b>\$ 1.5</b>	<b>1.7</b>	<b>\$ 119.6</b>	<b>\$ 131.9</b>	<b>\$ 129.9</b>	<b>\$ 2.0</b>	<b>1.5</b>		
17												
18	<b>\$ 14.5</b>	<b>\$ 21.5</b>	<b>\$ 22.2</b>	<b>\$ 0.7</b>	<b>3.3</b>	<b>\$ 20.7</b>	<b>\$ 28.5</b>	<b>\$ 29.4</b>	<b>\$ 0.9</b>	<b>3.2</b>		
19												
20	\$ 3.5	\$ -	\$ -	\$ -	-	\$ 3.5	\$ -	\$ -	\$ -	-		
21	10.8	19.5	18.7	0.8	4.1	16.4	26.0	26.0	-	-		
22	1.6	1.8	1.4	0.4	22.2	2.4	2.6	2.1	0.5	19.2		
23	<b>\$ 5.6</b>	<b>\$ 0.2</b>	<b>\$ 2.1</b>	<b>\$ 1.9</b>	<b>-</b>	<b>\$ 5.4</b>	<b>\$ (0.1)</b>	<b>\$ 1.3</b>	<b>\$ 1.4</b>	<b>1,400.0</b>		

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

Hardware & Software Support & Maintenance line includes a software license which was classified as an operating expense in the Board-approved budget, but deemed to be capitalizable at the time the contract was executed.

Electric Reliability Council of Texas, Inc.  
2014 Financial Summary - Year to Date and Year End Variance Explanations  
As of August 31, 2014

Line	Category	Year to Date	Year End
2	System Administration Fee Revenue	-\$1.3 M - Primarily due to milder-than-expected temperatures	-\$1.2 M - Primarily due to milder-than-expected temperatures
3	Other Revenue	+\$0.4 M - Generation Interconnection studies providing more revenue than planned +\$0.1 M - Revenue for OTS and Blackstart is higher than budgeted	+\$0.3 M - Generation Interconnection studies providing more revenue than planned -\$0.2 M - Per NPRR 606, risk management verification fee will not be collected
7	Salaries	-\$1.1 M - Vacation and arrears liability balance have increased during first eight months	+\$0.3 M - Continued savings for less overtime pay for employees converted from hourly to salary -\$0.2 M - Expect vacation liability balance to decline, but not completely -\$0.2 M - Forecasting unbudgeted separation payouts at trended rate -\$0.1 M - Other immaterial expenses
8	Benefits & Taxes	+\$0.1 M - Benefits/Taxes low in general; no outstanding driver	\$0.0 M
9	Project Funded Labor	+\$1.1 M - More project efforts being performed by employees than planned	+\$1.1 M - More project efforts being performed by employees than planned
11	Hardware & Software Support & Maintenance	+\$1.6 M - Fewer vendor support service hours due to capital project work +\$1.0 M - Savings for budgeted renewals with no change in level of service +\$0.5 M - Savings for renewals with decreased level of service -\$0.3 M - Unplanned cost for new, unbudgeted renewals -\$0.3 M - Overspend for budgeted renewals with no change in level of service	+\$1.4 M - Savings for budgeted renewals with no change in level of service +\$1.0 M - Fewer vendor support service hours due to capital project work +\$0.9 M - Savings for renewals with decreased level of service -\$0.4 M - Unplanned cost for new, unbudgeted renewals -\$0.4 M - Overspend for budgeted renewals with no change in level of service -\$0.1 M - Overspend for renewals with increased level of service
12	Facilities & Equipment	+\$0.2 M - Lower property tax costs +\$0.2 M - Electricity consumption lower than planned +\$0.2 M - Web conferencing, telephone, and internet service lower than budget +\$0.1 M - Building security costs lower than budget -\$0.3 M - Office rental higher than expected	+\$0.6 M - Lower property tax costs +\$0.3 M - Electricity consumption lower than planned +\$0.2 M - Web conferencing, telephone, and internet service lower than budget +\$0.1 M - Building security costs lower than budget -\$0.3 M - Office rental higher than expected
13	Outside Services	-\$1.8 M - Unbudgeted studies, training, and other services -\$1.2 M - Unbudgeted staff backfill +\$1.2 M - Underspent budgeted studies, training, and other services	-\$3.0 M - Unbudgeted studies, training, and other services -\$1.8 M - Unbudgeted staff backfill +\$1.5 M - Underspent budgeted studies, training, and other services
14	Market Design Contingency	\$0.0 M	+\$1.0 M - Do not anticipate PUCT order to pursue market redesign
15	Other Expenses	+\$0.3 M - Wind forecasting service and other less material data services renewed at lower rates +\$0.2 M - Public service announcements not being required +\$0.1 M - Insurance premiums lower than budget -\$0.3 M - Recruiting expenses higher than planned primarily due to recruiting of executive position	+\$0.3 M - Wind forecasting service and other less material data services renewed at lower rates +\$0.2 M - Public service announcements not being required +\$0.1 M - Insurance premiums lower than budget -\$0.4 M - Recruiting expenses higher than planned primarily due to recruiting of executive position -\$0.1 M - Other immaterial expenses
21	Less: Project Expenditures	\$0.8 M <ul style="list-style-type: none"> <li>• Delayed completion of tasks due to the Uninterruptible Power Supply (UPS) outage in August and resource constraints</li> <li>• Delayed hardware and software purchases to 2015 to allow for higher priority projects to begin in Q4</li> <li>• Used on-site hardware instead of purchasing new hardware</li> <li>• Over estimated hardware / software needs</li> </ul>	-\$0.0 M
22	Less: Interest Expense	+\$0.4 M - Portion of interest is being capitalized; therefore, less is being allocated to base operations	+\$0.5 M - Portion of the interest is being capitalized; therefore, less is being allocated to base operations

Electric Reliability Council of Texas, Inc.  
 Summary of Portfolio Demand vs. Year End (YE) Forecast - Project Expenditures  
 As of August 31, 2014  
 (\$ in Millions)

Project Name [Projects listed are at or above \$0.7 Million Estimate at Completion (EAC) Budget threshold]	Current Phase	Order Based on PPL Priority: January 1, 2014	Order 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		
								\$	%	
<b>Regulatory</b>										
2014 Market System Enhancements	Stabilization	1	1	\$ 1.5	100.0	\$ 1.6	\$ 1.5	\$ 0.1	6.3	
Privileged Account Management (PAM)	Planning	-	2	0.1	25.0	0.4	0.4	-	-	
<b>Business Strategy</b>										
Market Participant Online Data Entry: Phase 1	Planning	1	1	0.1	50.0	0.3	0.2	0.1	33.3	
<b>Technical Foundation</b>										
Settlement System Upgrade	Execution	1	1	1.6	66.7	2.4	2.4	-	-	
Oracle 11G Upgrade	Execution	2	2	0.4	100.0	0.3	0.4	(0.1)	(33.3)	
Energy Management System (EMS) Upgrade	Planning	3	3	2.2	88.0	2.5	2.5	-	-	
Network Model Management System (NMMS) Upgrade	Planning	-	4	0.2	28.6	0.9	0.7	0.2	22.2	
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Execution	4	5	1.5	60.0	2.5	2.5	-	-	
2013 / 2014 Network Refresh	Execution	5	6	0.9	90.0	1.2	1.0	0.2	16.7	
SQL Server 2012 Upgrade / Cluster Consolidation	Planning	6	7	0.2	50.0	0.7	0.4	0.3	42.9	
Cyber Security Project #14	Execution	7	8	0.7	87.5	0.8	0.8	-	-	
Production Virtualization Expansion	Initiation	-	9	0.3	60.0	0.5	0.5	-	-	
<b>Efficiencies / Enhancements</b>										
Content Management System (CMS) and Market Information Repository (MIR) Replacement	Stabilization	1	1	0.5	83.3	0.6	0.6	-	-	
Taylor Control Room Upgrade	Stabilization	2	2	3.2	100.0	3.6	3.2	0.4	11.1	
OSI PI Visualization Enhancements	Initiation	-	3	-	-	0.4	0.4	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	Complete			0.4	100.0	0.4	0.4	-	-	
	Closing			-	n/a	-	-	-	n/a	
	Stabilization			1.0	83.3	1.3	1.2	0.1	7.7	
	Execution			1.3	59.1	2.4	2.2	0.2	8.3	
	Planning			0.6	42.9	1.4	1.4	-	-	
	Initiation			-	-	0.3	0.3	-	-	
	On Hold			-	-	0.2	0.2	-	-	
	Not Yet Initiated			-	-	0.8	0.8	-	-	
<b>Other Project Spend</b>										
Minor Capital	Execution			1.1	91.7	1.8	1.2	0.6	33.3	
Common Infrastructure	Execution			0.3	100.0	0.8	0.3	0.5	62.5	
Capital Efficiencies & Enhancements	Execution			0.6	100.0	0.6	0.6	-	-	
Variance of Completed Projects					n/a	-	-	-	n/a	
Variance of In-flight & Not Yet Initiated Projects					n/a	(2.7)	(0.1)	(2.6)	n/a	
<b>Total - Portfolio Projects</b>				<b>\$ 18.7</b>	<b>71.9</b>	<b>\$ 26.0</b>	<b>\$ 26.0</b>	<b>\$ 0.0</b>	<b>0.0</b>	

**Note:** Minor Capital does not include a software license which was classified as an operating expense in the Board-approved budget, but deemed to be capitalizable at the time the contract was executed. The software license cost is reflected in the Hardware & Software Support & Maintenance line on the Financial Summary.



Electric Reliability Council of Texas, Inc.  
 Summary of Project Budgets vs. Estimates at Completion (EACs) - Project Expenditures  
 As of August 31, 2014  
 (\$ in Millions)

Project Name [Projects listed are at or above \$0.7 Million Estimate at Completion (EAC) Budget threshold]	Current Phase	Order Based on PPL Priority: January 1, 2014	Order 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		
								\$	%	
<b>Regulatory</b>										
2014 Market System Enhancements	Stabilization	1	1	\$ 1.6	100.0	\$ 1.7	\$ 1.6	\$ 0.1	5.9	
Privileged Account Management (PAM)	Planning	-	2	0.1	10.0	1.0	1.0	-	-	
<b>Business Strategy</b>										
Market Participant Online Data Entry: Phase 1	Planning	1	1	0.3	37.5	0.8	0.8	-	-	
<b>Technical Foundation</b>										
Settlement System Upgrade	Execution	1	1	6.5	87.8	7.4	7.4	-	-	
Oracle 11G Upgrade	Execution	2	2	2.5	100.0	2.4	2.5	(0.1)	(4.2)	
Energy Management System (EMS) Upgrade	Planning	3	3	3.9	20.7	18.8	18.8	-	-	
Network Model Management System (NMMS) Upgrade	Planning	-	4	0.4	44.4	1.1	0.9	0.2	18.2	
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Execution	4	5	2.2	55.0	4.0	4.0	-	-	
2013 / 2014 Network Refresh	Execution	5	6	1.0	100.0	1.2	1.0	0.2	16.7	
SQL Server 2012 Upgrade / Cluster Consolidation	Planning	6	7	0.2	50.0	0.7	0.4	0.3	42.9	
Cyber Security Project #14	Execution	7	8	0.7	87.5	0.8	0.8	-	-	
Production Virtualization Expansion	Initiation	-	9	0.3	7.5	4.0	4.0	-	-	
<b>Efficiencies / Enhancements</b>										
Content Management System (CMS) and Market Information Repository (MIR) Replacement	Stabilization	1	1	1.6	94.1	1.7	1.7	-	-	
Taylor Control Room Upgrade	Stabilization	2	2	3.3	100.0	3.6	3.3	0.3	8.3	
OSI PI Visualization Enhancements	Initiation	-	3	-	-	1.0	1.0	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	Complete			1.3	100.0	1.5	1.3	0.2	13.3	
	Closing			-	n/a	-	-	-	n/a	
	Stabilization			1.5	88.2	1.9	1.7	0.2	10.5	
	Execution			1.8	66.7	2.9	2.7	0.2	6.9	
	Planning			1.0	43.5	2.2	2.3	(0.1)	(4.5)	
	Initiation			-	-	0.3	0.3	-	-	
	On Hold			-	-	0.2	0.2	-	-	
	Not Yet Initiated			-	-	0.9	0.9	-	-	
<b>Other Project Spend</b>										
Minor Capital	Execution			1.1	91.7	1.8	1.2	0.6	33.3	
Common Infrastructure	Execution			0.3	100.0	0.8	0.3	0.5	62.5	
Capital Efficiencies & Enhancements	Execution			0.6	100.0	0.6	0.6	-	-	
<b>Total - Portfolio Projects</b>				<b>\$ 32.2</b>	<b>53.0</b>	<b>\$ 63.3</b>	<b>\$ 60.7</b>	<b>\$ 2.6</b>	<b>4.1</b>	

**Note:** Minor Capital does not include a software license which was classified as an operating expense in the Board-approved budget, but deemed to be capitalizable at the time the contract was executed. The software license cost is reflected in the Hardware & Software Support & Maintenance line on the Financial Summary.

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# ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

## Statements of Financial Position

As of August 31, 2014 and 2013

(\$ in Thousands)

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	2014	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 346,525	\$ 339,101
Accounts receivable	3,999	4,740
Unbilled revenue	4,317	3,920
Restricted cash	514,638	658,887
Prepaid expenses and other current assets	20,476	16,980
Total current assets	889,955	1,023,628
Property and equipment, net	144,037	226,946
Systems under development	27,066	14,438
Debt issuance cost	254	391
Total assets	\$ 1,061,312	\$ 1,265,403
<b>Liabilities and Unrestricted Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 5,182	\$ 4,515
Accrued liabilities	9,197	8,141
Deferred revenue	4,886	4,021
Market settlement liabilities	385,660	361,565
Security deposits	514,638	658,887
Notes payable, current portion	4,000	17,630
Total current liabilities	923,563	1,054,759
Notes payable	69,000	73,000
Regulatory liabilities	55,468	122,003
Other long term liabilities	418	408
Total liabilities	1,048,449	1,250,170
Unrestricted net assets	12,863	15,233
Total liabilities and unrestricted net assets	\$ 1,061,312	\$ 1,265,403

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## ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

### Statements of Activities and Net Assets

For the Eight Months Ended August 31, 2014 and 2013

(\$ in Thousands)

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	<u>2014</u>	<u>2013</u>
Operating revenues		
System administration fees	\$ 107,780	\$ 93,101
Nodal implementation surcharge	-	220
Reliability organization pass-through	9,567	7,817
Membership fees and other	3,326	4,185
Total operating revenues	<u>120,673</u>	<u>105,323</u>
Operating expenses		
Salaries and related benefits	58,165	53,143
Depreciation	61,898	66,637
Facility and equipment costs	7,457	7,118
Outside services	8,042	7,658
Hardware and software maintenance and licensing	11,169	11,609
Reliability organization assessment	9,567	7,817
Other	4,247	4,249
Amortization of regulatory asset	(44,310)	(44,721)
Total operating expenses	<u>116,235</u>	<u>113,510</u>
Gain (Loss) from operations	4,438	(8,187)
Other income (expense)		
Interest income	17	11
Interest expense	(1,762)	(2,612)
Non-operating income	12	5
Change in unrestricted net assets	2,705	(10,783)
Unrestricted net assets, beginning of year	10,158	26,016
Unrestricted net assets, end of period	<u>\$ 12,863</u>	<u>\$ 15,233</u>

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# ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

## Statements of Cash Flows

For the Eight Months Ended August 31, 2014 and 2013

(\$ in Thousands)

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	2014	2013
<b>Operating activities:</b>		
Change in unrestricted net assets	\$ 2,705	\$ (10,783)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	61,898	66,637
Amortization of debt issuance costs	68	179
Net losses on capital assets	-	(2)
Changes in operating assets and liabilities:		
Accounts receivable	(1,805)	(875)
Unbilled revenue	(1,104)	2,448
Prepaid expenses and other assets	(10,309)	(2,011)
Other long-term liabilities	(1)	9
Accounts payable	1,712	2,271
Accrued liabilities	1,153	128
Deferred revenue	1,009	739
Regulatory liabilities	(44,310)	(44,721)
Net cash provided by operating activities	<u>11,016</u>	<u>14,019</u>
<b>Investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(18,046)	(9,952)
Proceeds from sale of property and equipment	-	5
Net cash (used in) investing activities	<u>(18,046)</u>	<u>(9,947)</u>
<b>Financing activities:</b>		
Repayment of notes payable	(15,630)	(15,637)
Payment of debt issuance costs	(4)	(10)
Decrease (increase) in restricted cash	134,479	(187,011)
Increase in market settlement liabilities	33,948	31,414
(Decrease) increase in security deposits	(134,479)	187,011
Net cash provided by financing activities	<u>18,314</u>	<u>15,767</u>
Net increase in cash and cash equivalents	11,284	19,839
Cash and cash equivalents, beginning of year	335,241	319,262
Cash and cash equivalents, end of period	<u>\$ 346,525</u>	<u>\$ 339,101</u>

Electric Reliability Council of Texas, Inc.  
**2014 Budget Amendment**  
(\$ in Millions)

Line		Approved 2014 Budget	Amendment	Amended 2014 Budget
1	<b>Revenue Sources</b>			
2	System Administration Fee Revenue	\$ 159.3	\$ -	\$ 159.3
3	Other Revenue	1.1	-	1.1
4	<b>Subtotal - Revenue Sources</b>	<b>\$ 160.4</b>	<b>\$ -</b>	<b>\$ 160.4</b>
5				
6	<b>Base Operating Expenses</b>			
7	Salaries	\$ 72.0	\$ -	\$ 72.0
8	Benefits & Taxes	22.6	-	22.6
9	Project Funded Labor	(8.3)	-	(8.3)
10	<b>Subtotal - Base Operating Labor</b>	<b>\$ 86.3</b>	<b>\$ -</b>	<b>\$ 86.3</b>
11	Hardware & Software Support & Maintenance	20.7	(1.0)	19.7
12	Facilities & Equipment	9.2	-	9.2
13	Outside Services	9.2	-	9.2
14	Market Design Contingency	1.0	-	1.0
15	Other Expenses	6.5	-	6.5
16	<b>Subtotal - Base Operating Expenses</b>	<b>\$ 132.9</b>	<b>\$ (1.0)</b>	<b>\$ 131.9</b>
17				
18	<b>Net Revenues After Base Operating Expenses</b>	<b>\$ 27.5</b>	<b>\$ (1.0)</b>	<b>\$ 28.5</b>
19				
20	Prior Year Carry Forward Funding	\$ -	\$ -	\$ -
21	Less: Project Expenditures	25.0	1.0	26.0
22	Less: Interest Expense	2.6	-	2.6
23	<b>Net Available for Principal Payments</b>	<b>\$ (0.1)</b>	<b>\$ -</b>	<b>\$ (0.1)</b>

**Notes:**

1. ERCOT does not typically adjust approved budgets, but, as an exception for clarity and administrative ease, a budget amendment will be processed in October 2014 that re-categorizes \$1 million of vendor services included in the "Hardware & Software Support & Maintenance" line item to the "Project Expenditures" line item.
2. Rationale for the adjustment includes the following items:
  - a. ERCOT has contracted for a minimum level of vendor services relating to the maintenance and support of the market management system (MMS).
  - b. When market management system maintenance and support activities do not require the full minimum level of vendor services commitment, ERCOT management may redirect vendor service resources to other high-priority initiatives, including project work.
  - c. The volume of maintenance/support work for this contractor is lower than originally expected. However critical technology updates have been included with the MMS OS Technology Refresh project and vendor support is required for the project. The contractors providing vendor services support to ERCOT are uniquely qualified to contribute to the project's success.
  - d. The amendment does not change 2014 revenue requirements or total spending authority.