



Item 6.1: Review 2015 Financial Summary

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Finance & Audit Committee Meeting
ERCOT Public
April 13, 2015

Review 2015 Financial Summary: Variance to Budget (\$ in Millions) Net Revenues After Department Expenditures as of February 28, 2015

Net Revenues Year to Date: \$2.2 M Favorable

Major Revenue Variances

\$1.7 M over budget: system administration fees are favorable due to colder-than-expected temperatures

Major Expenditure Variances

\$0.6 M under budget: hardware/software vendor services due to timing differences

Net Revenues Year End: \$1.5 M Unfavorable

Major Revenue Variances

\$1.5 M under budget: system administration fees are unfavorable due to new model which forecasts lower load than previous model

Major Expenditure Variances

None forecasted at this time

Review 2015 Financial Summary: Statement of Financial Position

As of February 28, 2015 and 2014 (\$ in Millions)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 733.3	\$ 941.0
Long term assets	135.4	204.6
Total assets	<u>\$ 868.7</u>	<u>\$ 1,145.6</u>
Liabilities and Unrestricted Net Assets		
Current liabilities	\$ 770.2	\$ 976.3
Long term liabilities	89.9	160.1
Unrestricted net assets	8.6	9.2
Total liabilities and unrestricted net assets	<u>\$ 868.7</u>	<u>\$ 1,145.6</u>

Review 2015 Financial Summary: Statement of Activities and Net Assets

For the Two Months Ended February 28, 2015 and 2014 (\$ in Millions)

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 28.6	\$ 28.0
Operating expenses	29.5	28.5
Gain (Loss) from operations	(0.9)	(0.5)
Other income (expense)	(0.1)	(0.5)
Change in unrestricted net assets	(1.0)	(1.0)
Unrestricted net assets, beginning of year	9.6	10.2
Unrestricted net assets, end of period	<u>\$ 8.6</u>	<u>\$ 9.2</u>

Appendices

Electric Reliability Council of Texas, Inc. 2015 Financial Summary For the Two Months Ended February 28, 2015 (\$ in Millions)		Year to Date					Year End				
		2014		2015			2014		2015		
				<u>Variance</u>					<u>Variance</u>		
		Line	Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$
1	System Administration Revenue	\$ 24.7	\$ 23.5	\$ 25.2	\$ 1.7	7.2	\$ 158.7	\$ 163.3	\$ 161.8	\$ (1.5)	(0.9)
2	Department Net Expenditures										
3	Information Technology	7.3	9.0	8.8	0.2	2.2	48.1	55.5	55.5	-	-
4	Operations	6.4	6.7	6.7	-	-	41.1	41.7	41.7	-	-
5	Finance & Treasury	2.3	2.4	2.1	0.3	12.5	13.6	15.3	15.3	-	-
6	General Counsel and GRC	2.4	2.5	2.4	0.1	4.0	14.5	15.0	15.0	-	-
7	External Affairs & Corporate Communications	0.8	0.9	1.0	(0.1)	(11.1)	4.9	5.8	5.8	-	-
8	Human Resources	0.8	0.7	0.7	-	-	5.7	4.5	4.5	-	-
9	Corporate Administration	0.5	0.4	0.4	-	-	2.7	2.8	2.8	-	-
10	Entity	-	-	-	-	-	(0.2)	-	-	-	-
11	Total Department Net Expenditures	20.5	22.6	22.1	0.5	2.2	130.4	140.6	140.6	-	-
12											
13	Net Revenues After Department Expenditures	4.2	0.9	3.1	2.2	244.4	28.3	22.7	21.2	(1.5)	(6.5)
14											
15	Less: Project Expenditures	4.1	3.0	3.1	(0.1)	(3.3)	26.5	21.7	21.7	-	-
16	Net Available for Debt & Working Capital	\$ 0.1	\$ (2.1)	\$ -	\$ 2.1	100.0	\$ 1.8	\$ 1.0	\$ (0.5)	\$ (1.5)	(148.0)
17											

Electric Reliability Council of Texas, Inc.
2015 Financial Summary - Year to Date and Year End Variance Explanations
For the Two Months Ended February 28, 2015

<u>Line</u>	<u>Category</u>	<u>Year to Date</u>	<u>Year End</u>
1	SystemAdministration Fee Revenue	+\$1.7 M - Primarily due to colder-than-expected temperatures	-\$1.5 M - System Administration Fees are expected to be under budget based on the new load model which forecasts lower load than previous model
3	Information Technology	+\$0.6 M -HW/SW vendor services due to timing differences -\$0.2 M - Project funded labor lower than planned -\$0.2 M - External staffing higher than budget	\$0.0 M
4	Operations	+\$0.0 M	\$0.0 M
5	Finance & Treasury	+\$0.2 M - Lower property taxes and electricity consumption +\$0.1 M - Interest expense	\$0.0 M
6	General Counsel and Governance, Risk, & Compliance	+\$0.1 M -Underspend for budgeted studies, training, and other services	\$0.0 M
7	External Affairs & Corporate Communications	-\$0.1 M - Overbudget due to higher benefits and taxes, vacation liability, and lower than planned project labor	\$0.0 M
8	Human Resources	\$0.0 M	\$0.0 M
9	Corporate Administration	\$0.0 M	\$0.0 M
10	Entity	\$0.0 M	\$0.0 M
15	Less: Project Expenditures	-\$0.1 M - Primarily due to contract resources on the Settlement System Upgrade project requiring more stabilization labor than expected to remediate production defects and performance issues and to complete knowledge transfer to ERCOT staff	\$0.0 M

Electric Reliability Council of Texas, Inc.
Summary of Technical Foundation Portfolio Demand vs. Year End (YE) Forecast - Project Expenditures
As of February 28, 2015
(\$ 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, 2015	Order Based on PPL Priority: Current	Year to Date		Year End		Variance				
				Year to Date Project Actual	% Spend to Year End Forecast	Project Budget	Project Forecast	\$	%			
Technical Foundation												
Settlement System Upgrade	Stabilization	1	1	0.1	33.3	0.2	0.3	(0.1)	(50.0)			
Energy Management System (EMS) Upgrade	Execution	2	2	0.7	7.1	9.9	9.9	-	-			
Network Model Management System (NMMS) Upgrade	Execution	3	3	0.6	17.6	3.4	3.4	-	-			
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Execution	4	4	0.4	33.3	1.2	1.2	-	-			
Production Virtualization Expansion	Planning	5	5	-	-	2.0	1.4	0.6	30.0			
ERCOT Enterprise NAS Solution	Not Yet Initiated	6	6	-	-	0.7	0.7	-	-			
Voice Over IP (VOIP) Replacement for PBX	Not Yet Initiated	7	7	-	-	0.8	0.8	-	-			
Projects Below \$0.7 Million EAC Budget Threshold by Phase												
	Complete			-	n/a	-	-	-	n/a			
	Closing			-	n/a	-	-	-	n/a			
	Stabilization			0.1	100.0	0.2	0.1	0.1	50.0			
	Execution			0.3	23.1	1.3	1.3	-	-			
	Planning			0.1	20.0	0.5	0.5	-	-			
	Initiation			-	-	0.2	0.2	-	-			
	On Hold			-	n/a	-	-	-	n/a			
	Not Yet Initiated			-	n/a	-	-	-	n/a			
Other Project Spend												
	Variance of Completed Projects				n/a	-	-	-	n/a			
	Variance of In-flight & Not Yet Initiated Projects				n/a	(3.7)	(3.1)	(0.6)	n/a			
Total - Portfolio Projects				\$	2.3	13.8	\$	16.7	\$	16.7	\$	-

Note: The 2016 infrastructure refresh purchases for the Energy Management System (EMS) Upgrade program will be accelerated into 2015 to avoid converting to a new infrastructure shortly after the new EMS system goes on-line. We will continue to manage total 2015 project spend with the goal of meeting the original budgeted amount, however, this accelerated purchase may place the 2015 PPL budget at risk.

Electric Reliability Council of Texas, Inc.
Summary of Technical Foundation Project Budgets vs. Estimates at Completion (EACs) - Project Expenditures
As of February 28, 2015
(\$ 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, 2015	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					
								\$	%				
Technical Foundation													
Settlement System Upgrade	Stabilization	1	1	7.3	98.6	7.4	7.4	-	-				
Energy Management System (EMS) Upgrade	Execution	2	2	5.5	29.1	18.9	18.9	-	-				
Network Model Management System (NMMS) Upgrade	Execution	3	3	1.5	31.3	4.8	4.8	-	-				
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Execution	4	4	3.4	81.0	4.2	4.2	-	-				
Production Virtualization Expansion	Planning	5	5	0.4	8.0	5.0	5.0	-	-				
ERCOT Enterprise NAS Solution	Not Yet Initiated	6	6	-	-	0.7	0.7	-	-				
Voice Over IP (VOIP) Replacement for PBX	Not Yet Initiated	7	7	-	-	0.8	0.8	-	-				
Projects Below \$0.7 Million EAC Budget Threshold by Phase													
	Complete			0.1	100.0	0.1	0.1	-	-				
	Closing			0.8	100.0	0.8	0.8	-	-				
	Stabilization			0.7	100.0	0.8	0.7	0.1	12.5				
	Execution			1.5	57.7	2.6	2.6	-	-				
	Planning			0.4	50.0	0.8	0.8	-	-				
	Initiation			-	-	0.2	0.2	-	-				
	On Hold			-	n/a	-	-	-	-	n/a			
	Not Yet Initiated			-	n/a	-	-	-	-	n/a			
Total - Portfolio Projects				\$	21.6	46.0	\$	47.1	\$	47.0	\$	0.1	0.2

Electric Reliability Council of Texas, Inc.
Summary of Capital Enhancements Portfolio Demand vs. Year End (YE) Forecast - Project Expenditures
As of February 28, 2015
(\$ 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, 2015	Order Based on PPL Priority: Current	Year to Date		Year End		Variance	
				Year to Date Project Actual	% Spend to Year End Forecast	Project Budget	Project Forecast	\$	%
Regulatory									
Privileged Account Management (PAM)	Planning	1	1	0.2	50.0	0.4	0.4	-	-
Physical Security Project #2	Not Yet Initiated	-	2	-	-	0.2	0.2	-	-
Business Strategy									
Market Participant Online Data Entry: Phase 1	Planning	1	1	-	-	0.4	0.4	-	-
Market System Enhancements 2015	Execution	-	2	0.3	30.0	1.0	1.0	-	-
Outage Scheduler Usability and Filtering Enhancements	Not Yet Initiated	-	3	-	-	0.2	0.2	-	-
Short Circuit Ratio Functionality	Not Yet Initiated	4	4	-	-	0.5	0.5	-	-
CRR UI Framework Upgrade	Not Yet Initiated	-	5	-	-	0.2	0.2	-	-
Efficiencies / Enhancements									
OSI PI Visualization Enhancements	Execution	1	1	0.1	16.7	0.6	0.6	-	-
Projects Below \$0.7 Million EAC Budget Threshold by Phase									
	Complete			-	n/a	-	-	-	n/a
	Closing			-	n/a	-	-	-	n/a
	Stabilization			0.1	100.0	0.1	0.1	-	-
	Execution			0.1	33.3	0.3	0.3	-	-
	Planning			-	-	0.3	0.3	-	-
	Initiation			-	-	0.8	0.8	-	-
	On Hold			-	n/a	-	-	-	n/a
	Not Yet Initiated			-	-	1.2	1.2	-	-
Other Project Spend									
Capital Efficiencies & Enhancements	Execution			-		0.6	0.6	-	-
Variance of Completed Projects						-	-	-	n/a
Variance of In-flight & Not Yet Initiated Projects						(1.8)	(1.8)	-	n/a
Total - Portfolio Projects				\$ 0.8	16.0	\$ 5.0	\$ 5.0	\$ -	-

Electric Reliability Council of Texas, Inc.
Summary of Capital Enhancements Project Budgets vs. Estimates at Completion (EACs) - Project Expenditures
As of February 28, 2015
(\$ 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, 2015	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		
								\$	%	
Regulatory										
Privileged Account Management (PAM)	Planning	1	1	0.8	80.0	1.0	1.0	-	-	
Physical Security Project #2	Not Yet Initiated	-	2	-	-	1.5	1.5	-	-	
Business Strategy										
Market Participant Online Data Entry: Phase 1	Planning	1	1	0.3	37.5	0.8	0.8	-	-	
Market System Enhancements 2015	Execution	-	2	0.3	27.3	1.1	1.1	-	-	
Outage Scheduler Usability and Filtering Enhancements	Not Yet Initiated	-	3	-	-	0.8	0.8	-	-	
Short Circuit Ratio Functionality	Not Yet Initiated	4	4	-	-	0.8	0.8	-	-	
CRR UI Framework Upgrade	Not Yet Initiated	-	5	-	-	1.7	1.7	-	-	
Efficiencies / Enhancements										
OSI PI Visualization Enhancements	Execution	1	1	0.4	40.0	1.0	1.0	-	-	
Projects Below \$0.7 Million EAC Budget Threshold by Phase										
	Complete			1.4	100.0	1.4	1.4	-	-	
	Closing			0.6	100.0	0.6	0.6	-	-	
	Stabilization			0.2	100.0	0.2	0.2	-	-	
	Execution			0.4	66.7	0.6	0.6	-	-	
	Planning			-	-	0.3	0.3	-	-	
	Initiation			-	-	0.9	0.9	-	-	
	On Hold			-	-	0.2	0.2	-	-	
	Not Yet Initiated			-	-	4.9	4.9	-	-	
Other Project Spend										
Capital Efficiencies & Enhancements	Execution			-	-	0.6	0.6	-	-	
Total - Portfolio Projects				\$ 4.4	23.9	\$ 18.4	\$ 18.4	\$ -	-	

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Financial Position

As of February 28, 2015 and 2014

(Dollars in Thousands)

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 347,700	\$ 352,047
Accounts receivable	3,633	5,076
Unbilled revenue	3,223	2,667
Restricted cash	360,607	563,796
Prepaid expenses and other current assets	18,161	17,436
Total current assets	733,324	941,022
Property and equipment, net	112,286	184,993
Systems under development	22,889	19,242
Debt issuance cost	239	294
Total assets	<u>\$ 868,738</u>	<u>\$ 1,145,551</u>
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	\$ 5,675	\$ 6,554
Accrued liabilities	8,514	8,687
Deferred revenue	5,136	5,016
Market settlement liabilities	386,273	374,615
Security deposits	360,607	563,796
Notes payable, current portion	4,000	17,630
Total current liabilities	770,205	976,298
Notes payable	67,000	71,000
Regulatory liabilities	22,555	88,665
Other long term liabilities	428	419
Total liabilities	860,188	1,136,382
Unrestricted net assets	8,550	9,169
Total liabilities and unrestricted net assets	<u>\$ 868,738</u>	<u>\$ 1,145,551</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Activities and Net Assets

For the Two Months Ended February 28, 2015 and 2014

(Dollars in Thousands)

	<u>2015</u>	<u>2014</u>
Operating revenues		
System administration fees	\$ 25,164	\$ 24,702
Reliability organization pass-through	2,451	2,392
Other services revenue	993	947
Total operating revenues	<u>28,608</u>	<u>28,041</u>
Operating expenses		
Salaries and related benefits	15,920	14,136
Depreciation	15,088	15,738
Facility and equipment costs	1,722	1,898
Outside services	1,427	1,903
Hardware and software maintenance and licensing	2,964	2,715
Reliability organization assessment	2,451	2,392
Other	945	829
Amortization of regulatory asset	(10,971)	(11,113)
Total operating expenses	<u>29,546</u>	<u>28,498</u>
Gain from operations	(938)	(457)
Other income (expense)		
Interest income	4	3
Interest expense	(361)	(535)
Non-operating income	224	-
Change in unrestricted net assets	(1,071)	(989)
Unrestricted net assets, beginning of year	9,621	10,158
Unrestricted net assets, end of period	<u>\$ 8,550</u>	<u>\$ 9,169</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Cash Flows

For the Two Months Ended February 28, 2015 and 2014

(Dollars in Thousands)

	<u>2015</u>	<u>2014</u>
Operating activities:		
Change in unrestricted net assets	\$ (1,071)	\$ (989)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	15,088	15,738
Amortization of debt issuance costs	5	29
Net gain on capital assets	(300)	-
Changes in operating assets and liabilities:		
Accounts receivable	(409)	(2,882)
Unbilled revenue	(913)	546
Prepaid expenses and other assets	(1,865)	(7,269)
Other long-term liabilities	(1)	-
Accounts payable	2,045	3,196
Accrued liabilities	449	(295)
Deferred revenue	958	1,139
Regulatory liabilities	(10,971)	(11,113)
Net cash provided by (used in) operating activities	<u>3,015</u>	<u>(1,900)</u>
Investing activities:		
Capital expenditures for property and equipment and systems under development	(3,570)	(4,192)
Proceeds from sale of property and equipment	-	-
Net cash (used in) investing activities	<u>(3,570)</u>	<u>(4,192)</u>
Financing activities:		
Repayment of notes payable	-	-
Payment of debt issuance costs	-	(5)
(Increase) in restricted cash	48,405	85,321
Increase in market settlement liabilities	33,454	22,903
Increase in security deposits	(48,405)	(85,321)
Net cash provided by financing activities	<u>33,454</u>	<u>22,898</u>
Net increase (decrease) in cash and cash equivalents	32,899	16,806
Cash and cash equivalents, beginning of year	314,801	335,241
Cash and cash equivalents, end of period	<u>\$ 347,700</u>	<u>\$ 352,047</u>