



Item 6.1: Review 2015 Financial Summary

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Finance & Audit Committee
ERCOT Public
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Review 2015 Financial Summary: Variance to Budget (\$ in Millions)

Net Revenues After Department Expenditures as of April 30, 2015

Net Revenues Year to Date: \$1.8 M Favorable

Major Revenue Variances

\$1.6 M over budget: system administration fees are favorable due to colder-than-expected temperatures

Major Expenditure Variances

\$1.4 M under budget: hardware/software vendor services due to timing differences

\$0.6 M over budget: project funded labor lower than planned

\$0.5 M over budget: external staffing higher than budget

Net Revenues Year End: \$5.3 M Unfavorable

Major Revenue Variances

\$3.8 M under budget: system administration fees unfavorable based on current actuals and load forecast for remainder of year

Major Expenditure Variances

\$0.8 M over budget: additional responsibilities surrounding new NERC transmission planning standards

Review 2015 Financial Summary: Statement of Financial Position

As of April 30, 2015 and 2014 (\$ in Millions)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 723.7	\$ 852.7
Long term assets	123.6	194.2
Total assets	<u>\$ 847.3</u>	<u>\$ 1,046.9</u>
 Liabilities and Unrestricted Net Assets		
Current liabilities	\$ 765.2	\$ 893.9
Long term liabilities	78.0	148.0
Unrestricted net assets	4.1	5.0
Total liabilities and unrestricted net assets	<u>\$ 847.3</u>	<u>\$ 1,046.9</u>

Review 2015 Financial Summary: Statement of Activities and Net Assets

For the Four Months Ended April 30, 2015 and 2014 (\$ in Millions)

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 55.5	\$ 54.1
Operating expenses	60.7	58.2
Gain (Loss) from operations	<u>(5.2)</u>	<u>(4.1)</u>
Other income (expense)	(0.3)	(1.1)
Change in unrestricted net assets	<u>(5.5)</u>	<u>(5.2)</u>
Unrestricted net assets, beginning of year	9.6	10.2
Unrestricted net assets, end of period	<u>\$ 4.1</u>	<u>\$ 5.0</u>

Appendices

Electric Reliability Council of Texas, Inc. 2015 Financial Summary Year to Date April 30 (\$ in Millions)											
		Year to Date					Year End				
		2014	2015			Variance	2014	2015			Variance
Line		Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%
1	System Administration Revenue	\$ 47.4	\$ 47.3	\$ 48.9	\$ 1.6	3.4	\$ 158.7	\$ 163.3	\$ 159.5	\$ (3.8)	(2.4)
2	Department Net Expenditures										
3	Information Technology	15.9	18.2	17.9	0.3	1.6	49.5	55.8	55.8	-	-
4	Operations	13.6	13.8	14.3	(0.5)	(3.6)	41.4	41.3	42.8	(1.5)	(3.6)
5	Finance & Treasury	4.7	5.0	4.5	0.5	10.0	14.0	15.4	15.4	-	-
6	General Counsel and GRC	4.7	5.0	4.9	0.1	2.0	14.9	15.0	15.0	-	-
7	External Affairs & Corporate Communications	1.6	1.9	2.1	(0.2)	(10.5)	4.8	6.0	6.0	-	-
8	Human Resources	1.7	1.4	1.4	-	-	5.7	4.4	4.4	-	-
9	Corporate Administration	0.9	0.9	0.9	-	-	2.7	2.8	2.8	-	-
10	Total Department Net Expenditures	43.1	46.2	46.0	0.2	0.4	133.0	140.7	142.2	(1.5)	(1.1)
11	Net Revenues After Department Expenditures	4.3	1.1	2.9	1.8	163.6	25.7	22.6	17.3	(5.3)	(23.6)
12	Less: Project Expenditures	9.2	10.6	6.5	4.1	38.7	24.1	21.7	21.7	-	-
13	Net Available for Debt & Working Capital	\$ (4.9)	\$ (9.5)	\$ (3.6)	\$ 5.9	62.1	\$ 1.6	\$ 0.9	\$ (4.4)	\$ (5.3)	(593.3)

Electric Reliability Council of Texas, Inc.**2015 Financial Summary - Year to Date and Year End Variance Explanations****Year to Date April 30**

Line	Category	Year to Date	Year End
1	System Administration Fee Revenue	+\$1.6 M - Primarily due to colder-than-expected temperatures	-\$3.8 M - Unfavorable based on current actuals and load forecast for remainder of year
3	Information Technology	+\$1.4 M - HW/SW vendor services due to timing differences -\$0.6 M - Project funded labor lower than planned -\$0.5 M - External staffing higher than budget	\$0.0 M
4	Operations	-\$0.2 M - Immaterial expenses -\$0.2 M - Unbudgeted external studies, training, and other services -\$0.1 M - Unbudgeted separation benefits	-\$0.8 M - Additional responsibilities surrounding new NERC transmission planning standards -\$0.4 M - Salaries and related benefits -\$0.3 M - Future Ancillary Services Team (FAST) cost-benefit analysis
5	Finance & Treasury	+\$0.3 M - Lower property taxes and electricity consumption +\$0.3 M - Interest expense -\$0.1 M - Unbudgeted separation benefits	\$0.0 M
6	General Counsel and Governance, Risk, & Compliance	+\$0.3 M - Building security services -\$0.2 M - Salaries and related benefits	\$0.0 M
7	External Affairs & Corporate Communications	-\$0.1 M - Salaries and related benefits -\$0.1 M - Immaterial expenses	\$0.0 M
8	Human Resources	\$0.0 M	\$0.0 M
9	Corporate Administration	\$0.0 M	\$0.0 M
12	Less: Project Expenditures	+\$4.1 M - Hardware purchases were delayed due to negotiations taking longer than expected	\$0.0 M

Electric Reliability Council of Texas, Inc.

Summary of Technical Foundation Portfolio Demand vs. Year End (YE) Forecast - Project Expenditures

As of April 30, 2015

(\$ in Millions)

Project Name [Projects listed are at or above \$0.7 Million Estimate at Completion (EAC) Budget threshold]				Year to Date		Year End							
				Order Based on PPL Priority: Jan. 1, 2015	Order Based on PPL Priority: Current	Year to Date Project Actual	% Spend to Year End Forecast	Project Budget	Project Forecast	Variance			
										\$	%		
Current Phase													
Technical Foundation													
Settlement System Upgrade	Stabilization	1	1	0.3	100.0	0.2	0.3	(0.1)	(50.0)				
Energy Management System (EMS) Upgrade ⁽¹⁾	Execution	2	2	1.6	15.2	9.9	10.5	(0.6)	(6.1)				
Network Model Management System (NMMS) Upgrade	Execution	3	3	1.0	27.8	3.6	3.6	-	-				
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Stabilization	4	4	0.9	81.8	1.0	1.1	(0.1)	(10.0)				
Production Virtualization Expansion	Planning	5	5	0.1	7.1	2.0	1.4	0.6	30.0				
Projects Below \$0.7 Million EAC Budget Threshold by Phase													
	Complete			0.1	100.0	0.1	0.1	-	-				
	Closing			-	n/a	-	-	-	n/a				
	Stabilization			0.1	100.0	0.2	0.1	0.1	50.0				
	Execution			0.5	38.5	1.2	1.3	(0.1)	(8.3)				
	Planning			0.1	100.0	0.1	0.1	-	-				
	Initiation			-	n/a	-	-	-	n/a				
	On Hold			0.1	100.0	0.1	0.1	-	-				
	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	(1.7)	(1.9)	0.2	n/a				
Total - Portfolio Projects				\$	4.8	28.7	\$	16.7	\$	16.7	\$	-	-

Note (1): The 2016 infrastructure refresh purchases for the Energy Management System (EMS) Upgrade program have been 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 April 30, 2015

(\$ in Millions)

				Life to Date		Estimate at Completion (EAC)			
		Order Based on PPL Priority: Jan. 1, 2015	Order Based on PPL Priority: Current	Life to Date Project Actual	% Spend to EAC Forecast	Variance			
Project Name						Project	Project		
[Projects listed are at or above \$0.7 Million Estimate at Completion (EAC) Budget threshold]	Current Phase					Budget	Forecast	\$	%
Technical Foundation									
Settlement System Upgrade	Stabilization	1	1	7.5	100.0	7.4	7.5	(0.1)	(1.4)
Energy Management System (EMS) Upgrade	Execution	2	2	6.5	34.4	18.9	18.9	-	-
Network Model Management System (NMMS) Upgrade	Execution	3	3	1.9	38.0	5.0	5.0	-	-
Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	Stabilization	4	4	3.9	95.1	4.2	4.1	0.1	2.4
Production Virtualization Expansion	Planning	5	5	0.4	8.0	5.0	5.0	-	-
Projects Below \$0.7 Million EAC Budget Threshold by Phase									
	Complete			1.0	100.0	1.1	1.0	0.1	9.1
	Closing			0.2	100.0	0.2	0.2	-	-
	Stabilization			0.7	100.0	0.8	0.7	0.1	12.5
	Execution			1.6	66.7	2.3	2.4	(0.1)	(4.3)
	Planning			0.2	66.7	0.3	0.3	-	-
	Initiation			-	n/a	-	-	-	n/a
	On Hold			0.3	37.5	0.8	0.8	-	-
	Not Yet Initiated			-	n/a	-	-	-	n/a
Total - Portfolio Projects				\$ 24.2	52.7	\$ 46.0	\$ 45.9	\$ 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 April 30, 2015

(\$ in Millions)

Project Name [Projects listed are at or above \$0.7 Million Estimate at Completion (EAC) Budget threshold]				Year to Date		Year End							
				Order Based on PPL Priority: Jan. 1, 2015	Order Based on PPL Priority: Current	Year to Date Project Actual	% Spend to Year End Forecast	Project Budget	Project Forecast	Variance			
										\$	%		
Current Phase													
Regulatory													
Privileged Account Management (PAM)	Execution	1	1	0.4	36.4	1.1	1.1	-	-				
Physical Security Project #2	Initiation	-	2	-	-	0.2	0.2	-	-				
Configuration Management System (CMS) Requirements for CIP v5 Readiness	Planning	-	3	0.1	12.5	0.8	0.8	-	-				
Business Strategy													
Market Participant Online Data Entry: Phase 1	Planning	1	1	-	-	0.4	0.4	-	-				
Market System Enhancements 2015	Execution	-	2	0.5	62.5	1.0	0.8	0.2	20.0				
Outage Scheduler Usability and Filtering Enhancements	Not Yet Initiated	-	3	-	-	0.2	0.2	-	-				
Short Circuit Ratio Functionality	Planning	4	4	-	-	0.7	0.7	-	-				
Congestion Revenue Rights (CRR) UI Framework Upgrade	Not Yet Initiated	-	5	-	-	0.2	0.2	-	-				
Enterprise Content Alignment Program (ECAP)	Initiation	-	6	-	-	0.8	0.8	-	-				
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	0.1	-	0.1	100.0				
	Closing			0.1	100.0	0.2	0.1	0.1	50.0				
	Stabilization			-	n/a	-	-	-	n/a				
	Execution			0.3	75.0	0.4	0.4	-	-				
	Planning			0.1	6.7	1.5	1.5	-	-				
	Initiation			-	-	0.2	0.2	-	-				
	On Hold			-	n/a	-	-	-	n/a				
	Not Yet Initiated			-	-	1.0	1.0	-	-				
Other Project Spend													
Capital Efficiencies & Enhancements	Execution			0.1	16.7	0.6	0.6	-	-				
Variance of Completed Projects					n/a	(0.1)	-	(0.1)	n/a				
Variance of In-flight & Not Yet Initiated Projects					n/a	(4.9)	(4.6)	(0.3)	n/a				
Total - Portfolio Projects				\$	1.7	34.0	\$	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 April 30, 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: Jan. 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)	Execution	1	1	1.0	58.8	1.7	1.7	-	-
Physical Security Project #2	Initiation	-	2	-	-	1.5	1.5	-	-
Configuration Management System (CMS) Requirements for CIP v5 Readiness	Planning	-	3	0.1	12.5	0.8	0.8	-	-
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	0.6	66.7	1.1	0.9	0.2	18.2
Outage Scheduler Usability and Filtering Enhancements	Not Yet Initiated	-	3	-	-	0.8	0.8	-	-
Short Circuit Ratio Functionality	Planning	4	4	-	-	0.7	0.7	-	-
Congestion Revenue Rights (CRR) UI Framework Upgrade	Not Yet Initiated	-	5	-	-	1.7	1.7	-	-
Enterprise Content Alignment Program (ECAP)	Initiation	-	6	-	-	2.5	2.5	-	-
Efficiencies / Enhancements									
OSI PI Visualization Enhancements	Execution	1	1	0.5	50.0	1.0	1.0	-	-
Projects Below \$0.7 Million EAC Budget Threshold by Phase									
	Complete			1.4	100.0	1.4	1.4	-	-
	Closing			0.7	100.0	0.8	0.7	0.1	12.5
	Stabilization			0.1	100.0	0.1	0.1	-	-
	Execution			0.5	83.3	0.6	0.6	-	-
	Planning			0.1	6.7	1.5	1.5	-	-
	Initiation			-	-	0.6	0.6	-	-
	On Hold			-	-	0.2	0.2	-	-
	Not Yet Initiated			-	-	4.7	4.7	-	-
Other Project Spend									
Capital Efficiencies & Enhancements	Execution			0.1	16.7	0.6	0.6	-	-
Total - Portfolio Projects				\$ 5.4	23.7	\$ 23.1	\$ 22.8	\$ 0.3	1.3

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Financial Position

As of April 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 319,082	\$ 335,224
Accounts receivable	1,619	2,515
Unbilled revenue	2,461	2,815
Restricted cash	385,848	497,866
Prepaid expenses and other current assets	14,725	14,256
Total current assets	723,735	852,676
Property and equipment, net	97,460	171,656
Systems under development	25,836	22,285
Debt issuance cost	233	265
Total assets	<u>\$ 847,264</u>	<u>\$ 1,046,882</u>
Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	\$ 2,548	\$ 3,910
Accrued liabilities	9,537	8,684
Deferred revenue	2,637	2,588
Market settlement liabilities	360,665	363,255
Security deposits	385,848	497,866
Notes payable, current portion	4,000	17,630
Total current liabilities	765,235	893,933
Notes payable	66,000	70,000
Regulatory liabilities	11,584	77,552
Other long term liabilities	337	413
Total liabilities	843,156	1,041,898
Unrestricted net assets	4,108	4,984
Total liabilities and unrestricted net assets	<u>\$ 847,264</u>	<u>\$ 1,046,882</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Activities and Net Assets

For the Four Months Ended April 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014
Operating revenues		
System administration fees	\$ 48,853	\$ 47,371
Reliability organization pass-through	4,901	4,784
Other services revenue	1,754	1,930
Total operating revenues	55,508	54,085
Operating expenses		
Salaries and related benefits	32,779	28,893
Facility and equipment costs	3,408	3,773
Outside services	3,412	4,018
Hardware and software maintenance and licensing	5,948	5,481
Reliability organization assessment	4,901	4,784
Depreciation	30,190	31,526
Amortization of regulatory asset	(21,942)	(22,225)
Other	1,966	1,962
Total operating expenses	60,662	58,212
Loss from operations	(5,154)	(4,127)
Other income (expense)		
Interest income	10	7
Interest expense	(724)	(1,055)
Non-operating income	355	1
Change in unrestricted net assets	(5,513)	(5,174)
Unrestricted net assets, beginning of year	9,621	10,158
Unrestricted net assets, end of period	\$ 4,108	\$ 4,984

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Cash Flows

For the Four Months Ended April 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014
Operating activities:		
Change in unrestricted net assets	\$ (5,513)	\$ (5,174)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	30,190	31,526
Amortization of regulatory liabilities	(21,942)	(22,225)
Amortization of debt issuance costs	11	57
Net gain on capital assets	(310)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,605	(321)
Unbilled revenue	(151)	398
Prepaid expenses and other assets	1,571	(4,089)
Other long-term liabilities	(92)	(6)
Accounts payable	(938)	(877)
Accrued liabilities	1,483	422
Deferred revenue	(1,541)	(1,289)
Net cash provided by (used in) operating activities	4,373	(1,578)
Investing activities:		
Capital expenditures for property and equipment and systems under development	(6,938)	(8,978)
Proceeds from sale of property and equipment	-	-
Net cash (used in) investing activities	(6,938)	(8,978)
Financing activities:		
Repayment of notes payable	(1,000)	(1,000)
Payment of debt issuance costs	-	(4)
Decrease in restricted cash	23,164	151,251
Increase in market settlement liabilities	7,846	11,543
(Decrease) in security deposits	(23,164)	(151,251)
Net cash provided by financing activities	6,846	10,539
Net increase (decrease) in cash and cash equivalents	4,281	(17)
Cash and cash equivalents, beginning of year	314,801	335,241
Cash and cash equivalents, end of period	\$ 319,082	\$ 335,224