



Item 8.1: Review 2016 Financial Summary

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Controller

Finance & Audit Committee Meeting

ERCOT Public
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Review 2016 Financial Summary: Variance to Budget (\$ in Millions) Net Revenues After Department Expenditures

Net Revenues Year to Date Actuals: \$11.7 M Favorable *(as of October 31, 2016)*

Major Revenue Variances

\$2.1 M over budget: system administration fees favorable due to a stronger economy

Major Expenditure Variances

\$2.8 M under budget: resource management (\$2.5 M staffing management; \$0.8 M project work; \$-0.5 staff backfill)

\$2.0 M under budget: computer hardware and other equipment purchases

\$1.1 M under budget: interest expense due to project funding and no revolver usage; interest income due to higher rates

\$1.4 M under budget: employee health, relocation, immigration and recognition program costs

\$1.0 M under budget: external studies/consulting services

\$0.6 M under budget: timing differences

Net Revenues Year End Forecast: \$13.1 M Favorable *(as of December 2, 2016)*

Major Revenue Variances

\$2.1 M over budget: system administration fees favorable based on current actuals and load forecast for remainder of year

Major Expenditure Variances

\$3.9 M under budget: resource management (\$3.2 M staffing management; \$1.3 M project work; \$-0.6 M staff backfill)

\$1.9 M under budget: computer hardware and other equipment purchases

\$1.4 M under budget: interest expense due to project funding and no revolver usage; interest income due to higher rates

\$1.3 M under budget: employee health, relocation, immigration and recognition program costs

\$1.1 M under budget: external studies/consulting services



Review 2016 Financial Summary: Statements of Financial Position

As of October 31, 2016 and 2015 (\$ in Millions)

| | 2016 | | 2015 | |
|--|-------------|-------|-------------|-------|
| Assets | | | | |
| Current assets | \$ | 693.8 | \$ | 760.8 |
| Long term assets | | 122.3 | | 116.4 |
| Total assets | \$ | 816.1 | \$ | 877.2 |
| Liabilities and Unrestricted Net Assets | | | | |
| Current liabilities | \$ | 718.4 | \$ | 799.2 |
| Long term liabilities | | 60.2 | | 64.1 |
| Unrestricted net assets | | 37.5 | | 13.9 |
| Total liabilities and unrestricted net assets | \$ | 816.1 | \$ | 877.2 |

Review 2016 Financial Summary: Statements of Activities and Net Assets

For the Ten Months Ended October 31, 2016 and 2015 (\$ in Millions)

| | 2016 | 2015 |
|--|----------------|----------------|
| Operating revenues | \$ 182.6 | \$ 154.8 |
| Operating expenses | 151.7 | 149.1 |
| Gain (Loss) from operations | 30.9 | 5.7 |
| Other income (expense) | (1.0) | (1.4) |
| Change in unrestricted net assets | 29.9 | 4.3 |
| Unrestricted net assets, beginning of year | 7.6 | 9.6 |
| Unrestricted net assets, end of period | <u>\$ 37.5</u> | <u>\$ 13.9</u> |

Appendices

| Electric Reliability Council of Texas, Inc. 2016 Financial Summary As of December 2, 2016 (\$ in Millions) | | | | | | | | | | | |
|---|---|---------------|-----------------|----------------|----------------|------------------------|-----------------|-----------------|----------------|----------------|--------------|
| | Year to Date (October 31) | | | | | Year End (December 31) | | | | | |
| | 2015 | 2016 | | | | 2015 | 2016 | | | | |
| Line | Actual | Budget | Actual | Variance | | Actual | Budget | Forecast | Variance | | |
| | | | | \$ | % | | | | \$ | % | |
| 1 | System Administration Revenue | \$ 138.8 | \$ 164.9 | \$ 166.9 | \$ 2.1 | 1.3 | \$ 162.0 | \$ 193.9 | \$ 196.1 | \$ 2.1 | 1.1 |
| 2 | Department Net Expenditures | | | | | | | | | | |
| 3 | Information Technology | 45.5 | 50.9 | 48.7 | 2.2 | 4.3 | 55.4 | 61.8 | 58.8 | 3.0 | 4.9 |
| 4 | Operations | 46.1 | 49.0 | 45.6 | 3.4 | 6.9 | 55.7 | 58.5 | 54.9 | 3.6 | 6.2 |
| 5 | Finance & Treasury | 11.1 | 12.3 | 10.4 | 1.9 | 15.4 | 13.3 | 14.8 | 12.7 | 2.1 | 14.2 |
| 6 | External Affairs & Corporate Communications | 5.4 | 5.5 | 5.2 | 0.3 | 5.5 | 6.5 | 6.5 | 6.2 | 0.3 | 4.6 |
| 7 | Human Resources | 3.5 | 4.5 | 3.7 | 0.8 | 17.8 | 4.2 | 5.3 | 4.5 | 0.8 | 15.1 |
| 8 | General Counsel | 2.7 | 3.7 | 2.7 | 1.0 | 27.0 | 3.3 | 4.5 | 3.3 | 1.2 | 26.7 |
| 9 | Corporate Administration | 2.1 | 2.2 | 2.2 | - | - | 2.8 | 2.8 | 2.8 | - | - |
| 10 | Total Department Net Expenditures | 116.4 | 128.0 | 118.3 | 9.6 | 7.5 | 141.2 | 154.1 | 143.2 | 11.0 | 7.1 |
| 11 | Net Revenues After Department Expenditures | 22.4 | 36.9 | 48.6 | 11.7 | 31.7 | 20.8 | 39.8 | 52.9 | 13.1 | 32.9 |
| 12 | | | | | | | | | | | |
| 13 | Less: Project Expenditures | | | | | | | | | | |
| 14 | Current Budget Year Project Expenditures | 19.2 | 32.6 | 23.4 | 9.2 | 28.2 | 21.7 | 37.1 | 35.0 | 2.1 | 5.7 |
| 15 | 2016 Budget Expended in 2015 | 1.7 | 5.4 | - | 5.4 | 100.0 | 5.4 | 5.4 | - | 5.4 | 100.0 |
| 16 | Total Project Expenditures | 20.9 | 38.0 | 23.4 | 14.6 | 38.4 | 27.1 | 42.5 | 35.0 | 7.5 | 17.6 |
| 17 | | | | | | | | | | | |
| 18 | Net Available for Debt & Working Capital | \$ 1.5 | \$ (1.1) | \$ 25.2 | \$ 26.3 | 2,443.7 | \$ (6.3) | \$ (2.6) | \$ 17.9 | \$ 20.5 | 787.0 |

Note: Schedule may not foot due to rounding.

Electric Reliability Council of Texas, Inc.
2016 Financial Summary Variance Explanations
As of December 2, 2016

| Line | Year to Date (October 31) | Year End |
|---|--|--|
| 1 System Administration Fee Revenue | +\$2.1 M - Primarily due to stronger economy | +\$2.1 M - Based on actuals and 11/28/16 load forecast |
| 3 Information Technology | +\$1.3 M - Common infrastructure purchases +\$0.9 M - HW/SW vendor support services due to work on projects (Resource Management) +\$0.5 M - Savings for staffing management (Resource Management) +\$0.4 M - Minor capital purchases +\$0.4 M - Wide Area Network (WAN) revenues +\$0.3 M - Lower employee health costs +\$0.2 M - Employee training and business travel -\$0.6 M - Lower project funded labor (Resource Management) -\$0.5 M - Outside services-staff backfill (Resource Management) -\$0.5 M - Outside services-other -\$0.4 M - Other hardware and software services <u>Timing Differences</u> +\$0.2 M - Miscellaneous under-spending | +\$1.3 M - Common infrastructure purchases +\$1.1 M - HW/SW vendor support services due to more project work (Resource Management) +\$0.6 M - Savings for staffing management (Resource Management) +\$0.5 M - Minor capital purchases +\$0.4 M - Wide Area Network (WAN) revenues +\$0.3 M - Lower employee health costs +\$0.2 M - Employee training and business travel -\$0.6 M - Outside services-staff backfill (Resource Management) -\$0.3 M - Outsider services-other -\$0.3 M - Lower project funded labor (Resource Management) -\$0.2 M - Other hardware and software services |
| 4 Operations | +\$1.2 M - Savings for staffing management (Resource Management) +\$1.0 M - External studies/consulting services +\$0.5 M - Higher amount of project funded labor (Resource Management) +\$0.4 M - Lower employee health costs +\$0.1 M - Equipment purchases -\$0.1 M - Unbudgeted data subscriptions <u>Timing Differences</u> +\$0.3 M - Hardware, software and equipment purchases | +\$1.6 M - Savings for staffing management (Resource Management) +\$1.1 M - External studies/consulting services +\$0.5 M - Higher amount of project funded labor (Resource Management) +\$0.4 M - Lower employee health costs +\$0.1 M - Equipment purchases -\$0.1 M - Unbudgeted data subscriptions |
| 5 Finance & Treasury | +\$0.7 M - Lower interest expense due to project funding and no revolver usage +\$0.5 M - Property tax +\$0.4 M - Interest income +\$0.2 M - Fewer facilities improvements and equipment purchases <u>Timing Differences</u> +\$0.1 M - Fewer facilities improvements and equipment purchases | +\$0.9 M - Lower interest expense due to project funding and no revolver usage +\$0.5 M - Property tax +\$0.5 M - Interest income +\$0.2 M - Fewer facilities improvements and equipment purchases |
| 6 External Affairs & Corporate Communications | +\$0.2 M - Savings for staffing management (Resource Management) +\$0.2 M - Public Service Announcements (PSAs) not required -\$0.1 M - External studies/consulting services | +\$0.2 M - Savings for staffing management (Resource Management) +\$0.2 M - Public Service Announcements (PSAs) not required -\$0.1 M - External studies/consulting services |
| 7 Human Resources | +\$0.3 M - New hire relocation costs +\$0.2 M - Immigration services +\$0.1 M - Data subscription for online training +\$0.1 M - Studies, training and other services +\$0.1 M - Employee reward and recognition program and related benefits/taxes | +\$0.3 M - New hire relocation costs +\$0.2 M - Immigration services +\$0.2 M - Data subscription for online training +\$0.1 M - Studies, training and other services |
| 8 General Counsel | +\$0.5 M - Savings for staffing management (Resource Management) +\$0.2 M - Regulatory studies not required yet +\$0.1 M - Lower employee health costs +\$0.1 M - Employee training and business travel +\$0.1 M - Outside legal services | +\$0.7 M - Savings for staffing management (Resource Management) +\$0.2 M - Regulatory studies may not be required +\$0.1 M - Lower employee health costs +\$0.1 M - Employee training and business travel +\$0.1 M - Outside legal services |
| 9 Corporate Administration | +\$0.1 M - Savings for staffing management (Resource Management) -\$0.1 M - Unbudgeted executive recruiting services | +\$0.1 M - Savings for staffing management (Resource Management) -\$0.1 M - Unbudgeted executive recruiting services |
| 14 Less: Current Budget Year Project Expenditures | +\$9.2 M - See Project Expenditures summaries in following pages | +\$2.1 M - See Project Expenditures summaries in following pages |

Electric Reliability Council of Texas, Inc.
 Project Expenditures - Technical Foundation Demand vs. Year End (YE) Forecast
 As of December 2, 2016
 (\$ 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, 2016 | 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 | | | |
| | | | | | | | | \$ | % | | |
| Technical Foundation | | | | | | | | | | | |
| Energy Management System (EMS) Upgrade | Stabilization | 1 | 1 | \$ 3.2 | 94.1 | \$ 4.0 | \$ 3.4 | \$ 0.6 | 15.0 | | |
| Network Model Management System (NMMS) Upgrade | Execution | 2 | 2 | 2.4 | 80.0 | 3.0 | 3.0 | - | - | | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | | |
| | Complete | | | 0.3 | 100.0 | 0.3 | 0.3 | - | - | | |
| | Closing | | | - | n/a | - | - | - | n/a | | |
| | Stabilization | | | - | n/a | - | - | - | n/a | | |
| | Execution | | | 0.1 | 50.0 | 0.2 | 0.2 | - | - | | |
| | Planning | | | 0.1 | 12.5 | 0.9 | 0.8 | 0.1 | 11.1 | | |
| | Initiation | | | - | n/a | - | - | - | n/a | | |
| | On Hold | | | - | n/a | 0.3 | - | 0.3 | 100.0 | | |
| | Not Yet Initiated | | | - | n/a | - | - | - | n/a | | |
| Other Project Spend | | | | | | | | | | | |
| | Variance of Completed Projects | | | | | - | - | - | n/a | | |
| | Variance of In-flight & Not Yet Initiated Projects | | | | | 1.3 | - | 1.3 | 100.0 | | |
| | | | | Subtotal | | \$ 6.1 | 79.2 | \$ 10.0 | \$ 7.7 | \$ 2.3 | 23.0 |
| Data Center 4.0 Optimization (DC4) Program | Planning | | | 10.6 | 63.5 | 16.4 | 16.7 | (0.3) | (1.8) | | |
| 2016 Budget Expended in 2015 | | | | | | 3.6 | - | 3.6 | 100.0 | | |
| | | | | Total - Technical Foundation | | \$ 16.7 | 68.4 | \$ 30.0 | \$ 24.4 | \$ 5.6 | 18.7 |

Electric Reliability Council of Texas, Inc.
Project Expenditures - Technical Foundation Project Budgets vs. Estimates at Completion (EACs)
As of December 2, 2016
(\$ 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, 2016 | 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 | | | | | | | | | | | |
| Energy Management System (EMS) Upgrade | Stabilization | 1 | 1 | \$ 17.5 | 98.9 | \$ 18.9 | \$ 17.7 | \$ 1.2 | 6.3 | | |
| Network Model Management System (NMMS) Upgrade | Execution | 2 | 2 | 6.3 | 90.0 | 7.0 | 7.0 | - | - | | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | | |
| | Complete | | | 2.2 | 100.0 | 2.2 | 2.2 | - | - | | |
| | Closing | | | - | n/a | - | - | - | n/a | | |
| | Stabilization | | | - | n/a | - | - | - | n/a | | |
| | Execution | | | 0.1 | 50.0 | 0.2 | 0.2 | - | - | | |
| | Planning | | | 0.1 | 8.3 | 1.3 | 1.2 | 0.1 | 7.7 | | |
| | Initiation | | | - | n/a | - | - | - | n/a | | |
| | On Hold | | | 0.3 | 37.5 | 0.8 | 0.8 | - | - | | |
| | Not Yet Initiated | | | - | - | 2.7 | 2.7 | - | - | | |
| | | | | Subtotal | | \$ 26.5 | 83.3 | \$ 33.1 | \$ 31.8 | \$ 1.3 | 3.9 |
| Data Center 4.0 Optimization (DC4) Program | Planning | | | 14.4 | 30.0 | 48.0 | 48.0 | - | - | | |
| | | | | Total - Technical Foundation | | \$ 40.9 | 51.3 | \$ 81.1 | \$ 79.8 | \$ 1.3 | 1.6 |

Electric Reliability Council of Texas, Inc.
Project Expenditures - Capital Enhancements Demand vs. Year End (YE) Forecast
As of December 2, 2016
(\$ 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, 2016 | 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 | | |
| | | | | | | | | \$ | % | |
| Regulatory | | | | | | | | | | |
| Physical Security Project #2 | Execution | 1 | 1 | \$ 0.6 | 42.9 | \$ 1.5 | \$ 1.4 | \$ 0.1 | 6.7 | |
| Configuration Management System (CMS) Requirements for CIP v5 Readiness | Complete | 2 | 2 | 0.4 | 100.0 | 0.5 | 0.4 | 0.1 | 20.0 | |
| CIP v5 Readiness Project | Complete | 3 | 3 | 0.2 | 100.0 | 0.2 | 0.2 | - | - | |
| Business Strategy | | | | | | | | | | |
| Market Participant Online Data Entry: Phase 1 | On Hold | 1 | 1 | - | n/a | - | - | - | n/a | |
| 2015 Credit Monitoring and Management (CMM) NPRRs | Planning | 2 | 2 | 0.5 | 71.4 | 0.7 | 0.7 | - | - | |
| Load Forecast Enhancements | Execution | - | 3 | 0.4 | 80.0 | 0.5 | 0.5 | - | - | |
| 2015 Outage Scheduler Enhancements | Closing | 4 | 4 | 0.8 | 100.0 | 0.8 | 0.8 | - | - | |
| Short Circuit Ratio Functionality | Complete | 5 | 5 | 0.4 | 100.0 | 0.7 | 0.4 | 0.3 | 42.9 | |
| ERCOT Flight Certification Website | Execution | - | 6 | 0.2 | 66.7 | 0.3 | 0.3 | - | - | |
| Congestion Revenue Rights (CRR) UI Framework Upgrade | Execution | 6 | 7 | 0.3 | 60.0 | 0.5 | 0.5 | - | - | |
| Enterprise Content Alignment Program (ECAP) | Execution | 7 | 8 | 0.3 | 37.5 | 0.8 | 0.8 | - | - | |
| Phasor Measurement Unit (PMU) Tool Evaluation and Implementation | Planning | - | 9 | - | n/a | 0.1 | - | 0.1 | 100.0 | |
| Multi Station Breaker to Breaker One Lines (Planning) | Planning | - | 10 | - | - | 0.1 | 0.1 | - | - | |
| Efficiencies / Enhancements | | | | | | | | | | |
| IT Change and Configuration Management Phase 2 | Not Yet Initiated | - | 1 | - | - | 0.1 | 0.1 | - | - | |
| SAS Technical Architecture Redesign | Not Yet Initiated | - | 2 | - | - | 0.6 | 0.6 | - | - | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | |
| | Complete | | | 0.6 | 100.0 | 0.6 | 0.6 | - | - | |
| | Closing | | | 0.1 | 100.0 | 0.1 | 0.1 | - | - | |
| | Stabilization | | | 0.1 | 50.0 | 0.4 | 0.2 | 0.2 | 50.0 | |
| | Execution | | | 1.0 | 62.5 | 1.8 | 1.6 | 0.2 | 11.1 | |
| | Planning | | | 0.3 | 25.0 | 1.2 | 1.2 | - | - | |
| | Initiation | | | - | - | 0.2 | 0.1 | 0.1 | 50.0 | |
| | On Hold | | | - | n/a | 0.1 | - | 0.1 | 100.0 | |
| | Not Yet Initiated | | | - | n/a | - | - | - | n/a | |
| Other Project Spend | | | | | | | | | | |
| Capital Efficiencies & Enhancements | Execution | | | 0.5 | 83.3 | 0.6 | 0.6 | - | - | |
| Variance of Completed Projects | | | | | | (0.3) | - | (0.3) | 100.0 | |
| Variance of In-flight & Not Yet Initiated Projects | | | | | | (1.4) | (0.6) | (0.8) | 57.1 | |
| | | | | Subtotal | \$ 6.7 | 63.2 | \$ 10.7 | \$ 10.6 | \$ 0.1 | 0.9 |
| 2016 Budget Expended in 2015 | | | | | | 1.8 | - | 1.8 | 100.0 | |
| | | | | Total - Capital Enhancements | \$ 6.7 | 63.2 | \$ 12.5 | \$ 10.6 | \$ 1.9 | 15.2 |

Electric Reliability Council of Texas, Inc.
Project Expenditures - Capital Enhancements Project Budgets vs. Estimates at Completion (EACs)
As of December 2, 2016
(\$ 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, 2016 | 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 | | | | | | | | | | |
| Physical Security Project #2 | Execution | 1 | 1 | \$ 0.7 | 38.9 | \$ 1.8 | \$ 1.8 | \$ - | - | |
| Configuration Management System (CMS) Requirements for CIP v5 Readiness | Complete | 2 | 2 | 1.6 | 100.0 | 1.6 | 1.6 | - | - | |
| CIP v5 Readiness Project | Complete | 3 | 3 | 1.0 | 100.0 | 1.0 | 1.0 | - | - | |
| Business Strategy | | | | | | | | | | |
| Market Participant Online Data Entry: Phase 1 | On Hold | 1 | 1 | 0.3 | 33.3 | 0.9 | 0.9 | - | - | |
| 2015 Credit Monitoring and Management (CMM) NPRRs | Planning | 2 | 2 | 0.5 | 18.5 | 2.7 | 2.7 | - | - | |
| Load Forecast Enhancements | Execution | - | 3 | 0.4 | 57.1 | 0.7 | 0.7 | - | - | |
| 2015 Outage Scheduler Enhancements | Closing | 4 | 4 | 1.3 | 100.0 | 1.3 | 1.3 | - | - | |
| Short Circuit Ratio Functionality | Complete | 5 | 5 | 0.5 | 100.0 | 0.8 | 0.5 | 0.3 | 37.5 | |
| ERCOT Flight Certification Website | Execution | - | 6 | 0.3 | 30.0 | 1.0 | 1.0 | - | - | |
| Congestion Revenue Rights (CRR) UI Framework Upgrade | Execution | 6 | 7 | 0.3 | 15.8 | 1.9 | 1.9 | - | - | |
| Enterprise Content Alignment Program (ECAP) | Execution | 7 | 8 | 0.5 | 10.2 | 4.9 | 4.9 | - | - | |
| Phasor Measurement Unit (PMU) Tool Evaluation and Implementation | Planning | - | 9 | - | - | 1.1 | 1.1 | - | - | |
| Multi Station Breaker to Breaker One Lines (Planning) | Planning | - | 10 | - | - | 1.2 | 1.2 | - | - | |
| Efficiencies / Enhancements | | | | | | | | | | |
| IT Change and Configuration Management Phase 2 | Not Yet Initiated | - | 1 | - | - | 1.9 | 1.9 | - | - | |
| SAS Technical Architecture Redesign | Not Yet Initiated | - | 2 | - | - | 1.4 | 1.4 | - | - | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | |
| | Complete | | | 1.1 | 100.0 | 1.1 | 1.1 | - | - | |
| | Closing | | | 0.1 | 100.0 | 0.1 | 0.1 | - | - | |
| | Stabilization | | | 0.1 | 50.0 | 0.4 | 0.2 | 0.2 | 50.0 | |
| | Execution | | | 1.0 | 45.5 | 2.2 | 2.2 | - | - | |
| | Planning | | | 0.3 | 12.0 | 2.5 | 2.5 | - | - | |
| | Initiation | | | - | - | 0.3 | 0.3 | - | - | |
| | On Hold | | | - | - | 0.1 | 0.1 | - | - | |
| | Not Yet Initiated | | | - | - | 2.2 | 2.2 | - | - | |
| Other Project Spend | | | | | | | | | | |
| Capital Efficiencies & Enhancements | Execution | | | 0.5 | 83.3 | 0.6 | 0.6 | - | - | |
| Total - Capital Enhancements | | | | \$ 10.5 | 31.6 | \$ 33.7 | \$ 33.2 | \$ 0.5 | 1.5 | |

Preliminary - Unaudited

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Financial Position

As of October 31, 2016 and 2015

(Dollars in Thousands)

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 289,143 | \$ 298,749 |
| Accounts receivable | 2,840 | 1,548 |
| Unbilled revenue | 2,939 | 2,502 |
| Restricted cash | 379,389 | 440,422 |
| Prepaid expenses and other current assets | 19,525 | 17,582 |
| Total current assets | <u>693,836</u> | <u>760,803</u> |
| Property and equipment, net | 90,328 | 84,607 |
| Systems under development | 31,897 | 31,836 |
| Total assets | <u>\$ 816,061</u> | <u>\$ 877,246</u> |
| Liabilities and Unrestricted Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 5,792 | \$ 2,604 |
| Accrued liabilities | 16,813 | 11,301 |
| Deferred revenue | 2,518 | 2,670 |
| Market settlement liabilities | 309,885 | 338,184 |
| Security deposits | 379,389 | 440,422 |
| Notes payable, current portion | 4,000 | 4,000 |
| Total current liabilities | <u>718,397</u> | <u>799,181</u> |
| Notes payable: | | |
| Principal | 60,000 | 64,000 |
| Less unamortized debt issuance cost | 216 | 226 |
| Notes payable less unamortized debt issuance cost | <u>59,784</u> | <u>63,774</u> |
| Other long term liabilities | 350 | 346 |
| Total liabilities | <u>778,531</u> | <u>863,301</u> |
| Unrestricted net assets | 37,530 | 13,945 |
| Total liabilities and unrestricted net assets | <u>\$ 816,061</u> | <u>\$ 877,246</u> |

Preliminary - Unaudited

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Activities and Net Assets

For the Ten Months Ended October 31, 2016 and 2015

(Dollars in Thousands)

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Operating revenues | | |
| System administration fees | \$ 166,920 | \$ 138,806 |
| Reliability organization pass-through | 11,647 | 12,253 |
| Other services revenue | 4,034 | 3,742 |
| Total operating revenues | <u>182,601</u> | <u>154,801</u> |
| Operating expenses | | |
| Salaries and related benefits | 80,940 | 81,533 |
| Facility and equipment costs | 8,128 | 8,001 |
| Outside services | 8,747 | 8,093 |
| Hardware and software maintenance and licensing | 19,400 | 16,623 |
| Reliability organization assessment | 11,647 | 12,253 |
| Depreciation | 17,208 | 50,560 |
| Amortization of regulatory asset | - | (33,526) |
| Other | 5,588 | 5,557 |
| Total operating expenses | <u>151,658</u> | <u>149,094</u> |
| Income (loss) from operations | 30,943 | 5,707 |
| Other income (expense) | | |
| Interest income | 434 | 23 |
| Interest expense | (1,593) | (1,765) |
| Non-operating income | 129 | 359 |
| Change in unrestricted net assets | 29,913 | 4,324 |
| Unrestricted net assets, beginning of year | 7,617 | 9,621 |
| Unrestricted net assets, end of period | <u>\$ 37,530</u> | <u>\$ 13,945</u> |

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Ten Months Ended October 31, 2016 and 2015**

(Dollars in Thousands)

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Operating activities: | | |
| Change in unrestricted net assets | \$ 29,913 | \$ 4,324 |
| Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities: | | |
| Depreciation | 17,208 | 50,560 |
| Amortization of regulatory liabilities | - | (33,526) |
| Amortization of debt issuance costs | 14 | 27 |
| Net gain on capital assets | (113) | (310) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (581) | 1,676 |
| Unbilled revenue | (560) | (192) |
| Prepaid expenses and other assets | (2,483) | (1,271) |
| Other long-term liabilities | (2) | (83) |
| Accounts payable | (169) | (561) |
| Accrued liabilities | 3,153 | 2,229 |
| Deferred revenue | (1,348) | (1,508) |
| Net cash provided by operating activities | <u>45,032</u> | <u>21,365</u> |
| Investing activities: | | |
| Capital expenditures for property and equipment and systems under development | (13,432) | (19,773) |
| Proceeds from sale of property and equipment | 1 | - |
| Net cash (used in) investing activities | <u>(13,431)</u> | <u>(19,773)</u> |
| Financing activities: | | |
| Repayment of notes payable | (3,000) | (3,000) |
| Payment of debt issuance costs | (9) | (9) |
| (Increase) in restricted cash | (15,840) | (31,410) |
| (Decrease) in market settlement liabilities | (46,802) | (14,635) |
| Increase in security deposits | 15,840 | 31,410 |
| Net cash (used in) financing activities | <u>(49,811)</u> | <u>(17,644)</u> |
| Net (decrease) in cash and cash equivalents | (18,210) | (16,052) |
| Cash and cash equivalents, beginning of year | 307,353 | 314,801 |
| Cash and cash equivalents, end of period | <u>\$ 289,143</u> | <u>\$ 298,749</u> |