



## **Item 4.2: Financial Summary**

*Bill Magness*

President & Chief Executive Officer

Board of Directors Meeting

ERCOT Public

December 13, 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



# Financial Summary: Statements of Financial Position

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

	<u>2016</u>		<u>2015</u>
<b>Assets</b>			
Current assets	\$ 693.8	\$	760.8
Long term assets	122.3		116.4
Total assets	<u>\$ 816.1</u>	<u>\$</u>	<u>877.2</u>
<b>Liabilities and Unrestricted Net Assets</b>			
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	<u>\$ 816.1</u>	<u>\$</u>	<u>877.2</u>

## Financial Summary: Statements of Activities and Net Assets

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

	<b>2016</b>	<b>2015</b>
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	<b>Department Net Expenditures</b>										
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	<b>Total Department Net Expenditures</b>	<b>116.4</b>	<b>128.0</b>	<b>118.3</b>	<b>9.6</b>	7.5	<b>141.2</b>	<b>154.1</b>	<b>143.2</b>	<b>11.0</b>	7.1
11	<b>Net Revenues After Department Expenditures</b>	<b>22.4</b>	<b>36.9</b>	<b>48.6</b>	<b>11.7</b>	<b>31.7</b>	<b>20.8</b>	<b>39.8</b>	<b>52.9</b>	<b>13.1</b>	<b>32.9</b>
12											
13	<b>Less: Project Expenditures</b>										
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	<b>Total Project Expenditures</b>	<b>20.9</b>	<b>38.0</b>	<b>23.4</b>	<b>14.6</b>	38.4	<b>27.1</b>	<b>42.5</b>	<b>35.0</b>	<b>7.5</b>	17.6
17											
18	<b>Net Available for Debt &amp; Working Capital</b>	<b>\$ 1.5</b>	<b>\$ (1.1)</b>	<b>\$ 25.2</b>	<b>\$ 26.3</b>	<b>2,443.7</b>	<b>\$ (6.3)</b>	<b>\$ (2.6)</b>	<b>\$ 17.9</b>	<b>\$ 20.5</b>	<b>787.0</b>

Note: Schedule may not foot due to rounding.

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

<b>Line</b>	<b>Year to Date (October 31)</b>	<b>Year End</b>
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		
								\$	%	
<b>Technical Foundation</b>										
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	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	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	
<b>Other Project Spend</b>										
	Variance of Completed Projects					-	-	-	n/a	
	Variance of In-flight & Not Yet Initiated Projects					1.3	-	1.3	100.0	
				<b>Subtotal</b>	<b>\$ 6.1</b>	<b>79.2</b>	<b>\$ 10.0</b>	<b>\$ 7.7</b>	<b>\$ 2.3</b>	<b>23.0</b>
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	
				<b>Total - Technical Foundation</b>	<b>\$ 16.7</b>	<b>68.4</b>	<b>\$ 30.0</b>	<b>\$ 24.4</b>	<b>\$ 5.6</b>	<b>18.7</b>



**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			
								\$	%		
<b>Technical Foundation</b>											
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	-	-		
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>											
	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	-	-		
				<b>Subtotal</b>		<b>\$ 26.5</b>	<b>83.3</b>	<b>\$ 33.1</b>	<b>\$ 31.8</b>	<b>\$ 1.3</b>	<b>3.9</b>
Data Center 4.0 Optimization (DC4) Program	Planning			14.4	30.0	48.0	48.0	-	-		
				<b>Total - Technical Foundation</b>		<b>\$ 40.9</b>	<b>51.3</b>	<b>\$ 81.1</b>	<b>\$ 79.8</b>	<b>\$ 1.3</b>	<b>1.6</b>

**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		
								\$	%	
<b>Regulatory</b>										
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	-	-	
<b>Business Strategy</b>										
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	-	-	
<b>Efficiencies / Enhancements</b>										
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	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	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	
<b>Other Project Spend</b>										
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	
				<b>Subtotal</b>	<b>\$ 6.7</b>	<b>63.2</b>	<b>\$ 10.7</b>	<b>\$ 10.6</b>	<b>\$ 0.1</b>	<b>0.9</b>
2016 Budget Expended in 2015						1.8	-	1.8	100.0	
				<b>Total - Capital Enhancements</b>	<b>\$ 6.7</b>	<b>63.2</b>	<b>\$ 12.5</b>	<b>\$ 10.6</b>	<b>\$ 1.9</b>	<b>15.2</b>

**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		
								\$	%	
<b>Regulatory</b>										
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	-	-	
<b>Business Strategy</b>										
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	-	-	
<b>Efficiencies / Enhancements</b>										
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	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	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	-	-	
<b>Other Project Spend</b>										
Capital Efficiencies & Enhancements	Execution			0.5	83.3	0.6	0.6	-	-	
<b>Total - Capital Enhancements</b>				<b>\$ 10.5</b>	<b>31.6</b>	<b>\$ 33.7</b>	<b>\$ 33.2</b>	<b>\$ 0.5</b>	<b>1.5</b>	

Preliminary - Unaudited

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

**Statements of Financial Position**

**As of October 31, 2016 and 2015**

(Dollars in Thousands)

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
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>
<b>Liabilities and Unrestricted Net Assets</b>		
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	<u>29,913</u>	<u>4,324</u>
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)

	<u>2016</u>	<u>2015</u>
<b>Operating activities:</b>		
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>
<b>Investing activities:</b>		
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>
<b>Financing activities:</b>		
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>