



## **Item 8.1: Review 2017 Financial Summary**

*Sean Taylor*  
Controller

Finance & Audit Committee Meeting

ERCOT Public  
December 11, 2017

# Review 2017 Financial Summary: Variance to Budget (\$ in Millions) Net Revenues After Department Expenditures

**Net Revenues Year to Date Actuals: \$9.0 M Favorable** *(as of October 31, 2017)*

## Major Revenue Variances

\$0.1 M over budget: system administration fees favorable due to warmer-than-forecasted weather

\$0.8 M over budget: interconnection revenue

## Major Expenditure Variances

\$3.6 M under budget: interest expense due to project funding and no revolver usage; interest income due to higher rates

\$1.2 M under budget: computer hardware and equipment purchases

\$0.7 M under budget: building maintenance and property tax

\$0.4 M under budget: resource management (\$-1.6 M staff backfill and augmentation; \$1.3 M project work; \$0.7 M staffing management)

\$1.3 M under budget: timing differences

**Net Revenues Year End Forecast: \$7.6 M Favorable** *(as of November 30, 2017)*

## Major Revenue Variances

\$0.1 M under budget: system administration fees unfavorable based on current actuals and load forecast for remainder of year

\$1.0 M over budget: interconnection revenue

## Major Expenditure Variances

\$4.1 M under budget: interest expense due to project funding and no revolver usage; interest income due to higher rates

\$1.3 M under budget: computer hardware and equipment purchases

\$0.8 M under budget: building maintenance and property tax

\$0.5 M under budget: resource management (\$-2.1 M staff backfill and augmentation; \$1.5 M project work; \$1.1 M staffing management)

\$1.0 M over budget: obtain enterprise-wide license agreement to ensure availability of key operations tools



# Review 2017 Financial Summary: Statements of Financial Position

## As of October 31, 2017 and 2016 (\$ in Millions)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets		
Unrestricted cash	\$ 405.0	\$ 289.1
Restricted cash	475.9	379.4
Other current assets	33.8	25.3
Total current assets	<u>914.7</u>	<u>693.8</u>
Long term assets	131.0	122.3
Total assets	<u>\$ 1,045.7</u>	<u>\$ 816.1</u>
 <b>Liabilities and Unrestricted Net Assets</b>		
Current liabilities		
CRR auction liabilities	\$ 353.7	\$ 254.0
Other market liabilities	85.6	55.9
Total market settlement liabilities	<u>439.3</u>	<u>309.9</u>
Security deposits	475.9	379.4
Other current liabilities	20.3	29.1
Total current liabilities	<u>935.5</u>	<u>718.4</u>
Long term liabilities	56.2	60.2
Unrestricted net assets	54.0	37.5
Total liabilities and unrestricted net assets	<u>\$ 1,045.7</u>	<u>\$ 816.1</u>

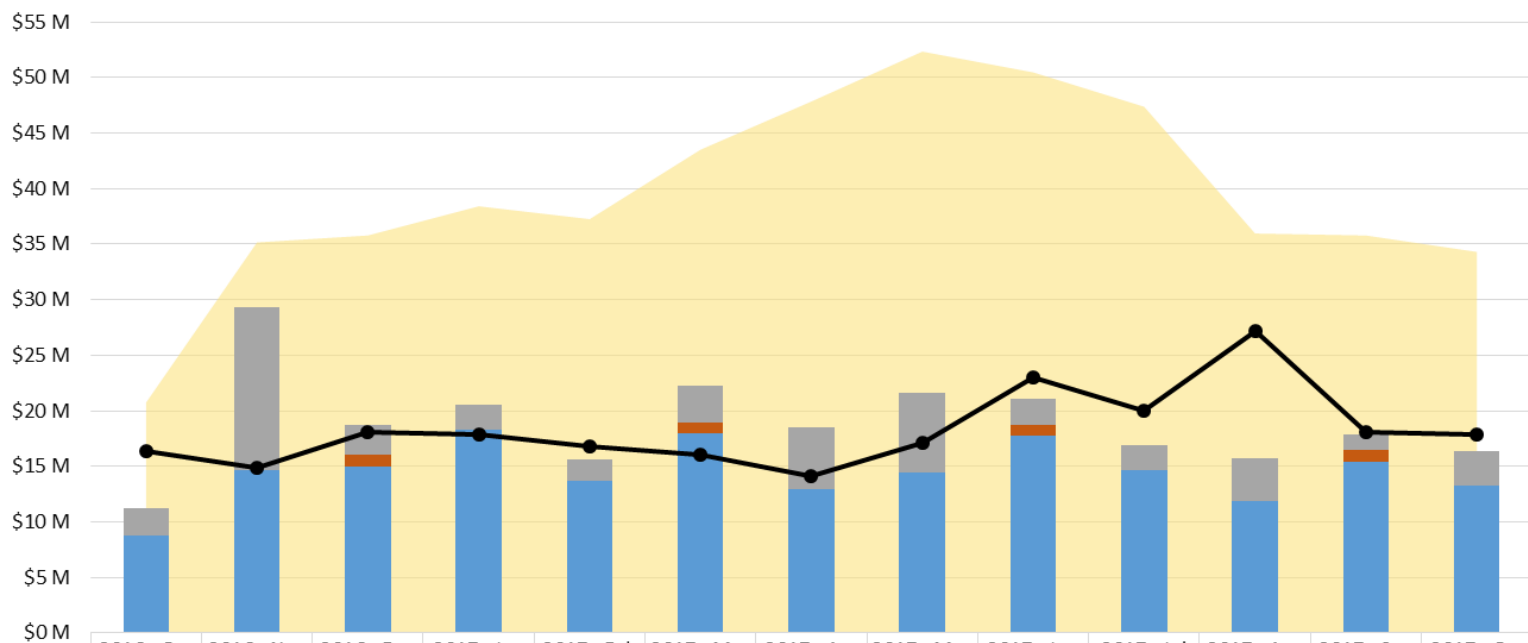
# Review 2017 Financial Summary: Statements of Activities and Net Assets

## For the Ten Months Ended October 31, 2017 and 2016 (\$ in Millions)

	<b>2017</b>		<b>2016</b>
Operating revenues	\$ 184.9	\$	182.6
Operating expenses	168.1		151.7
Gain (Loss) from operations	16.8		30.9
Other income (expense)	0.5		(1.0)
Change in unrestricted net assets	17.3		29.9
Unrestricted net assets, beginning of year	36.7		7.6
Unrestricted net assets, end of period	\$ 54.0	\$	37.5

# Review 2017 Financial Summary: Monthly Cash Flow & ERCOT Use of CRR Funds

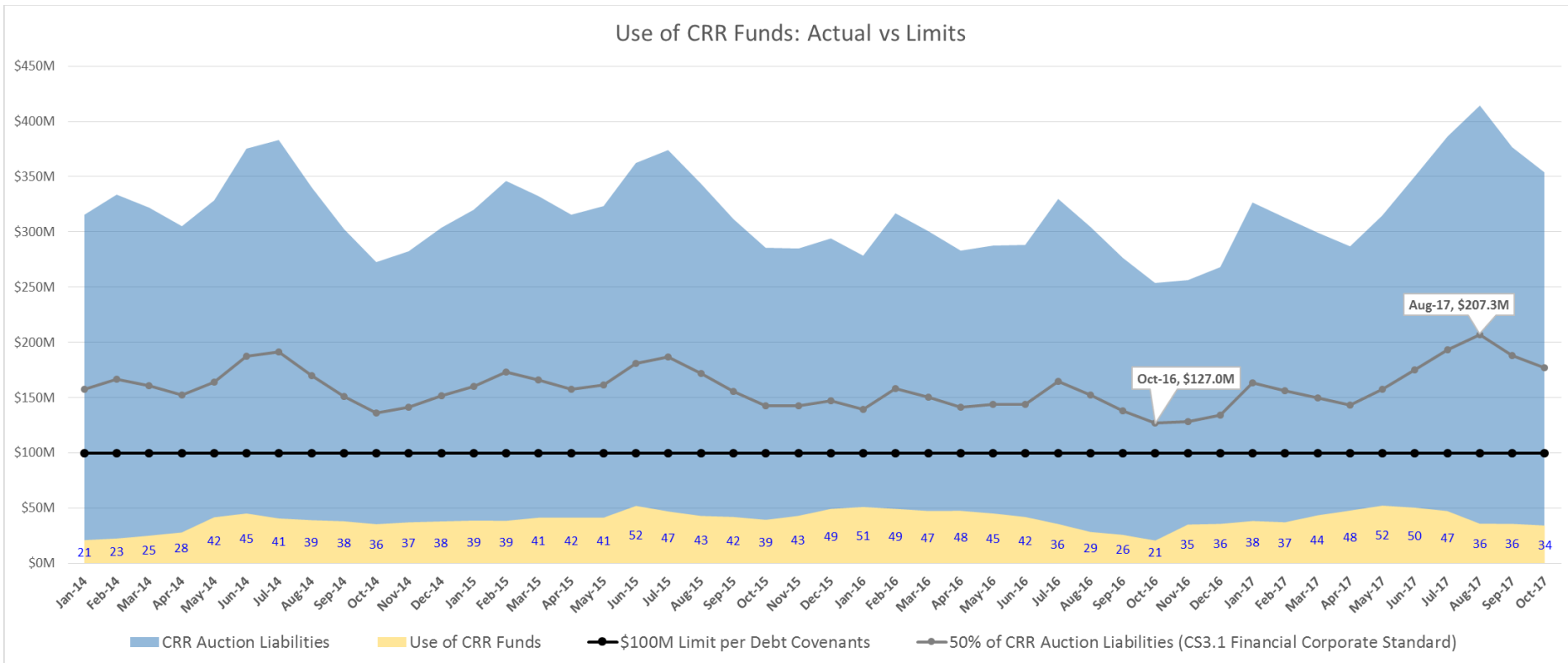
Monthly Cash Flow & ERCOT Use of CRR Funds



Use of CRR Funds	\$20.7 M	\$35.2 M	\$35.8 M	\$38.4 M	\$37.3 M	\$43.5 M	\$47.8 M	\$52.3 M	\$50.5 M	\$47.4 M	\$36.0 M	\$35.8 M	\$34.3 M
Project & Capital Expenditures	\$2.5 M	\$14.7 M	\$2.7 M	\$2.2 M	\$1.9 M	\$3.3 M	\$5.5 M	\$7.2 M	\$2.4 M	\$2.3 M	\$3.9 M	\$1.5 M	\$3.0 M
Long Term Debt Repayment	\$0.0 M	\$0.0 M	\$1.0 M	\$0.0 M	\$0.0 M	\$1.0 M	\$0.0 M	\$0.0 M	\$1.0 M	\$0.0 M	\$0.0 M	\$1.0 M	\$0.0 M
Operating Expenditures	\$8.8 M	\$14.6 M	\$15.0 M	\$18.3 M	\$13.7 M	\$18.0 M	\$13.0 M	\$14.4 M	\$17.7 M	\$14.6 M	\$11.9 M	\$15.4 M	\$13.3 M
Operating Cash Revenue	\$16.3 M	\$14.9 M	\$18.1 M	\$17.9 M	\$16.8 M	\$16.0 M	\$14.1 M	\$17.2 M	\$23.0 M	\$20.0 M	\$27.2 M	\$18.1 M	\$17.8 M



# Review 2017 Financial Summary: Use of CRR Funds: Actual vs Limits



# Appendices

Electric Reliability Council of Texas, Inc. 2017 Financial Summary As of November 30, 2017 (\$ in Millions)											
	Year to Date (October 31)					Year End (December 31)					
	2016	2017				2016	2017				
				Variance					Variance		
Line	Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%	
1	System Administration Revenue	\$ 166.9	\$ 167.9	\$ 167.9	\$ 0.1	0.1	\$ 195.9	\$ 197.5	\$ 197.4	\$ (0.1)	(0.1)
2	Department Net Expenditures										
3	Information Technology	48.7	53.2	53.2	-	-	59.6	63.7	65.1	(1.4)	(2.2)
4	Operations	45.6	50.4	47.6	2.7	5.4	54.4	60.2	57.4	2.8	4.7
5	Finance & Treasury	10.4	13.3	9.1	4.2	31.6	12.2	15.9	11.5	4.4	27.7
6	External Affairs & Corporate Communications	5.2	5.4	4.9	0.5	9.3	6.2	6.4	5.9	0.5	7.8
7	Human Resources	3.6	4.5	3.9	0.6	13.3	4.6	5.3	5.0	0.3	5.7
8	General Counsel	2.9	4.1	3.6	0.5	12.2	3.1	5.0	4.3	0.7	14.0
9	Corporate Administration	1.9	2.0	1.5	0.4	20.0	2.6	2.5	2.1	0.4	16.0
10	Total Department Net Expenditures	118.3	132.8	123.8	9.0	6.8	142.7	159.0	151.3	7.7	4.8
11	Net Revenues After Department Expenditures	48.6	35.1	44.1	9.0	25.6	53.2	38.5	46.1	7.6	19.7
12											
13	Less: Project Expenditures	23.4	36.0	33.4	2.6	7.1	31.8	40.5	39.0	1.5	3.7
14											
15	Net Available for Debt & Working Capital	\$ 25.2	\$ (0.9)	\$ 10.7	\$ 11.6	1,288.5	\$ 21.4	\$ (2.0)	\$ 7.1	\$ 9.1	455.0

Note: Schedule may not foot due to rounding



Electric Reliability Council of Texas, Inc.  
2017 Financial Summary Variance Explanations  
As of November 30, 2017

Line	Year to Date (October 31)	Year End (December 31)
1 System Administration Fee Revenue	+\$0.1 M - Warmer-than-forecasted weather	-\$0.1 M - Based on current actuals and load forecast for remainder of year
3 Information Technology	-\$1.0 M - Contracted staff augmentation (Resource Management) -\$0.6 M - Contracted staff backfill (Resource Management) -\$0.5 M - Lower-than-budgeted vacancy (Resource Management) -\$0.2 M - Higher allocated employee health costs +\$0.7 M - HW/SW vendor support services (Resource Management) +\$0.4 M - Minor capital purchases (Equipment Purchases) +\$0.4 M - Common infrastructure purchases (Computer Hardware) +\$0.2 M - Building systems maintenance +\$0.1 M - Other miscellaneous variances <b>Timing Differences</b> +\$0.4 M - Common infrastructure purchases (Computer Hardware) +\$0.2 M - Higher amount of project funded labor (Resource Management) +\$0.1 M - Employee training and business travel -\$0.2 M - HW/SW support and maintenance renewals	-\$1.4 M - Contracted staff augmentation (Resource Management) -\$1.0 M - Obtain enterprise-wide license agreement to ensure availability of key operations tools -\$0.7 M - Contracted staff backfill (Resource Management) -\$0.4 M - Lower-than-budgeted vacancy (Resource Management) -\$0.2 M - Higher allocated employee health costs -\$0.1 M - Lower-than-budgeted project funded labor (Resource Management) +\$1.0 M - HW/SW vendor support services (Resource Management) +\$0.5 M - Minor capital purchases (Equipment Purchases) +\$0.4 M - Common infrastructure purchases (Computer Hardware) +\$0.3 M - Building systems maintenance +\$0.2 M - Other miscellaneous variances
4 Operations	+\$0.8 M - Interconnection revenue +\$0.5 M - Higher-than-budgeted vacancy (Resource Management) +\$0.7 M - Higher amount of project funded labor (Resource Management) +\$0.3 M - External studies/consulting services +\$0.2 M - Minor capital purchases (Equipment Purchases) -\$0.2 M - Higher allocated employee health costs -\$0.1 M - Data subscription services -\$0.1 M - Other miscellaneous variances <b>Timing Differences</b> +\$0.3 M - Minor capital purchases (Equipment Purchases) +\$0.3 M - External studies/consulting services	+\$1.0 M - Interconnection revenue +\$1.0 M - Higher-than-budgeted vacancy (Resource Management) +\$0.7 M - Higher amount of project funded labor (Resource Management) +\$0.3 M - External studies/consulting services +\$0.2 M - Minor capital purchases (Equipment Purchases) -\$0.3 M - Higher allocated employee health costs -\$0.1 M - Data subscription services
5 Finance & Treasury	+\$2.2 M - Interest income +\$1.4 M - Lower interest expense due to project funding and no revolver usage +\$0.4 M - Property tax +\$0.2 M - Fewer facilities improvements (Equipment Purchases) +\$0.1 M - External audit services +\$0.1 M - Building maintenance +\$0.1 M - Electricity -\$0.4 M - Lower-than-budgeted vacancy (Resource Management) <b>Timing Differences</b> +\$0.1 M - Fewer facilities improvements (Equipment Purchases) +\$0.3 M - Higher-than-budgeted vacancy (Resource Management)	+\$2.3 M - Interest income +\$1.8 M - Lower interest expense due to project funding and minimal revolver usage +\$0.4 M - Property tax +\$0.2 M - Fewer facilities improvements (Equipment Purchases) +\$0.1 M - External audit services +\$0.1 M - Building maintenance +\$0.1 M - Electricity -\$0.5 M - Lower-than-budgeted vacancy (Resource Management) -\$0.1 M - Corporate insurance
6 External Affairs & Corporate Communications	+\$0.3 M - Higher-than-budgeted vacancy (Resource Management) +\$0.3 M - Public Service Announcements (PSAs) -\$0.1 M - Lower-than-budgeted project funded labor (Resource Management)	+\$0.3 M - Higher-than-budgeted vacancy (Resource Management) +\$0.3 M - Public Service Announcements (PSAs) -\$0.1 M - Lower-than-budgeted project funded labor (Resource Management)
7 Human Resources	+\$0.3 M - New hire relocation +\$0.1 M - Immigration services +\$0.1 M - Health insurance brokerage fees +\$0.1 M - Data subscription services	+\$0.3 M - New hire relocation +\$0.2 M - Immigration services +\$0.1 M - Health insurance brokerage fees +\$0.1 M - Data subscription services -\$0.3 M - Lower-than-budgeted vacancy (Resource Management) -\$0.1 M - External services for Health and Wellness Program
8 General Counsel	+\$0.4 M - Higher-than-budgeted vacancy (Resource Management) +\$0.2 M - Regulatory studies not required yet -\$0.2 M - Outside legal services <b>Timing Differences</b> +\$0.1 M - Employee training and business travel	+\$0.6 M - Higher-than-budgeted vacancy (Resource Management) +\$0.2 M - Regulatory studies may not be required -\$0.1 M - Outside legal services
9 Corporate Administration	+\$0.4 M - Higher-than-budgeted vacancy (Resource Management)	+\$0.4 M - Higher-than-budgeted vacancy (Resource Management)
13 Project Expenditures	+\$2.6 M - Multiple projects	+\$1.5 M - Multiple projects

**Electric Reliability Council of Texas, Inc.**  
**Project Expenditures - Technical Foundation Demand vs. Year End (YE) Forecast**  
**As of November 30, 2017**  
**(\$ 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, 2017	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>										
Network Model Management System (NMMS) Upgrade	Closing	1	1	\$ 1.6	94.1	\$ 2.1	\$ 1.7	\$ 0.4	19.0	
Identity and Access Management: Evaluation & Execution	Planning	-	2	2.0	87.0	2.3	2.3	-	-	
EDI Translator and Mapping Replacement	Not Yet Initiated	3	3	-	n/a	-	-	-	n/a	
Corporate Wireless	Execution	-	4	-	-	0.1	0.1	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	Complete			0.6	100.0	0.6	0.6	-	-	
	Closing			0.5	100.0	0.5	0.5	-	-	
	Stabilization			0.1	50.0	0.2	0.2	-	-	
	Execution			0.4	44.4	1.0	0.9	0.1	10.0	
	Planning			0.1	50.0	0.4	0.2	0.2	50.0	
	Initiation			-	n/a	-	-	-	n/a	
	On Hold			-	n/a	-	-	-	n/a	
	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						2.8	-	2.8	100.0	
			<b>Subtotal</b>	<b>\$ 5.3</b>	<b>81.5</b>	<b>\$ 10.0</b>	<b>\$ 6.5</b>	<b>\$ 3.5</b>	<b>35.0</b>	
Data Center 4.0 Optimization (DC4) Program	Planning			14.9	85.1	20.0	17.5	2.5	12.5	
			<b>Total - Technical Foundation</b>	<b>\$ 20.2</b>	<b>84.2</b>	<b>\$ 30.0</b>	<b>\$ 24.0</b>	<b>\$ 6.0</b>	<b>20.0</b>	

Electric Reliability Council of Texas, Inc.  
**Project Expenditures - Technical Foundation Project Budgets vs. Estimates at Completion (EACs)**  
As of November 30, 2017  
(\$ 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, 2017	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>										
Network Model Management System (NMMS) Upgrade	Closing	1	1	\$ 8.5	100.0	\$ 8.9	\$ 8.5	\$ 0.4	4.5	
Identity and Access Management: Evaluation & Execution	Planning	-	2	2.1	36.2	5.8	5.8	-	-	
EDI Translator and Mapping Replacement	Not Yet Initiated	3	3	-	-	1.5	1.5	-	-	
Corporate Wireless	Execution	-	4	-	-	0.4	0.4	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	Complete			0.8	100.0	0.8	0.8	-	-	
	Closing			0.5	100.0	0.5	0.5	-	-	
	Stabilization			0.2	100.0	0.2	0.2	-	-	
	Execution			0.4	28.6	1.5	1.4	0.1	6.7	
	Planning			0.1	20.0	0.5	0.5	-	-	
	Initiation			-	n/a	-	-	-	n/a	
	On Hold			-	n/a	-	-	-	n/a	
	Not Yet Initiated			-	n/a	-	-	-	n/a	
			<b>Subtotal</b>	<b>\$ 12.6</b>	<b>64.3</b>	<b>\$ 20.1</b>	<b>\$ 19.6</b>	<b>\$ 0.5</b>	<b>2.5</b>	
Data Center 4.0 Optimization (DC4) Program	Planning			34.5	71.9	48.0	48.0	-	-	
			<b>Total - Technical Foundation</b>	<b>\$ 47.1</b>	<b>69.7</b>	<b>\$ 68.1</b>	<b>\$ 67.6</b>	<b>\$ 0.5</b>	<b>0.7</b>	

**Electric Reliability Council of Texas, Inc.**  
**Project Expenditures - Capital Enhancements Demand vs. Year End (YE) Forecast**  
**As of November 30, 2017**  
**(\$ 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, 2017	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	Complete	1	1	\$ 0.8	100.0	\$ 0.9	\$ 0.8	\$ 0.1	11.1	
Records Management and eDiscovery	Stabilization	-	2	0.4	100.0	0.4	0.4	-	-	
<b>Business Strategy</b>										
Resource Asset Registration Form (RARF) Replacement	Planning	1	1	0.1	50.0	0.4	0.2	0.2	50.0	
2015 Credit Monitoring and Management (CMM) NPRRs	Execution	2	2	1.2	75.0	1.6	1.6	-	-	
Congestion Revenue Rights (CRR) UI Framework Upgrade	Execution	4	3	1.4	77.8	1.8	1.8	-	-	
Enterprise Content Alignment Program (ECAP)	Execution	5	4	0.3	75.0	0.7	0.4	0.3	42.9	
Phasor Measurement Unit (PMU) Tool Evaluation and Implementation	Planning	6	5	0.7	100.0	1.1	0.7	0.4	36.4	
Reactive Power Coordination: Assessment & Proof of Concept (PoC)	Execution	-	6	0.1	33.3	0.3	0.3	-	-	
Multi Station Breaker to Breaker One Lines (Planning)	Execution	7	7	0.4	57.1	0.8	0.7	0.1	12.5	
Training Facility - Scope and Design	Planning	-	8	0.5	55.6	0.9	0.9	-	-	
<b>Efficiencies / Enhancements</b>										
IT Change and Configuration Management: Evaluation & Phase 2	Execution	1	1	1.7	77.3	2.4	2.2	0.2	8.3	
SAS Technical Architecture Redesign	Execution	2	2	1.1	78.6	1.4	1.4	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	Complete			1.4	100.0	2.0	1.4	0.6	30.0	
	Closing			0.5	100.0	0.4	0.5	(0.1)	(25.0)	
	Stabilization			0.5	100.0	0.6	0.5	0.1	16.7	
	Execution			0.9	69.2	1.4	1.3	0.1	7.1	
	Planning			0.3	27.3	1.2	1.1	0.1	8.3	
	Initiation			0.1	33.3	0.4	0.3	0.1	25.0	
	On Hold			-	n/a	-	-	-	n/a	
	Not Yet Initiated			-	n/a	-	-	-	n/a	
<b>Other Project Spend</b>										
Capital Efficiencies & Enhancements	Execution			0.8	80.0	1.0	1.0	-	-	
Variance of Completed Projects						(0.7)	-	(0.7)	100.0	
Variance of In-flight & Not Yet Initiated Projects						(8.5)	(2.5)	(6.0)	70.6	
<b>Total - Capital Enhancements</b>				<b>\$ 13.2</b>	<b>88.0</b>	<b>\$ 10.5</b>	<b>\$ 15.0</b>	<b>\$ (4.5)</b>	<b>(42.9)</b>	

**Electric Reliability Council of Texas, Inc.**  
**Project Expenditures - Capital Enhancements Project Budgets vs. Estimates at Completion (EACs)**  
**As of November 30, 2017**  
**(\$ 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, 2017	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	Complete	1	1	\$ 1.8	100.0	\$ 1.9	\$ 1.8	\$ 0.1	5.3	
Records Management and eDiscovery	Stabilization	-	2	0.7	100.0	0.7	0.7	-	-	
<b>Business Strategy</b>										
Resource Asset Registration Form (RARF) Replacement	Planning	1	1	0.4	22.2	1.8	1.8	-	-	
2015 Credit Monitoring and Management (CMM) NPRRs	Execution	2	2	1.8	60.0	3.0	3.0	-	-	
Congestion Revenue Rights (CRR) UI Framework Upgrade	Execution	4	3	1.9	79.2	2.4	2.4	-	-	
Enterprise Content Alignment Program (ECAP)	Execution	5	4	1.0	20.8	4.8	4.8	-	-	
Phasor Measurement Unit (PMU) Tool Evaluation and Implementation	Planning	6	5	0.7	58.3	1.1	1.2	(0.1)	(9.1)	
Reactive Power Coordination: Assessment & Proof of Concept (PoC)	Execution	-	6	0.1	14.3	0.7	0.7	-	-	
Multi Station Breaker to Breaker One Lines (Planning)	Execution	7	7	0.5	45.5	1.2	1.1	0.1	8.3	
Training Facility - Scope and Design	Planning	-	8	0.5	55.6	0.9	0.9	-	-	
<b>Efficiencies / Enhancements</b>										
IT Change and Configuration Management: Evaluation & Phase 2	Execution	1	1	1.8	47.4	3.8	3.8	-	-	
SAS Technical Architecture Redesign	Execution	2	2	1.2	75.0	1.6	1.6	-	-	
<b>Projects Below \$0.7 Million EAC Budget Threshold by Phase</b>										
	Complete			3.3	100.0	4.3	3.3	1.0	23.3	
	Closing			0.6	100.0	0.5	0.6	(0.1)	(20.0)	
	Stabilization			0.9	90.0	1.1	1.0	0.1	9.1	
	Execution			1.0	50.0	2.2	2.0	0.2	9.1	
	Planning			0.3	7.9	3.8	3.8	-	-	
	Initiation			0.1	6.7	1.5	1.5	-	-	
	On Hold			-	n/a	-	-	-	n/a	
	Not Yet Initiated			-	-	0.2	0.2	-	-	
<b>Other Project Spend</b>										
Capital Efficiencies & Enhancements	Execution			0.8	80.0	1.0	1.0	-	-	
<b>Total - Capital Enhancements</b>				<b>\$ 19.4</b>	<b>52.2</b>	<b>\$ 38.5</b>	<b>\$ 37.2</b>	<b>\$ 1.3</b>	<b>3.4</b>	

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Financial Position****As of October 31, 2017 and 2016**

(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 405,009	\$ 289,143
Accounts receivable	3,208	2,840
Unbilled revenue	2,746	2,939
Restricted cash	475,899	379,389
Prepaid expenses and other current assets	27,794	19,525
Total current assets	914,656	693,836
Property and equipment, net	105,390	90,328
Systems under development	25,606	31,897
Total assets	<u>\$ 1,045,652</u>	<u>\$ 816,061</u>
<b>Liabilities and Unrestricted Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 3,469	\$ 5,792
Accrued liabilities	10,160	16,813
Deferred revenue	2,587	2,518
Market settlement liabilities	439,312	309,885
Security deposits	475,899	379,389
Notes payable, current portion	4,000	4,000
Total current liabilities	935,427	718,397
Long term liabilities:		
Notes payable, less current portion:		
Principal	56,000	60,000
Less unamortized debt issuance costs	200	216
Notes payable less current portion and unamortized debt issuance costs	55,800	59,784
Other long term liabilities	384	350
Total long term liabilities	56,184	60,134
Total liabilities	991,611	778,531
Unrestricted net assets	54,041	37,530
Total liabilities and unrestricted net assets	<u>\$ 1,045,652</u>	<u>\$ 816,061</u>

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Activities and Net Assets****For the Ten Months Ended October 31, 2017 and 2016**(Dollars in Thousands)

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	<u>2017</u>	<u>2016</u>
Operating revenues		
System administration fees	\$ 167,946	\$ 166,920
Reliability organization pass-through	11,954	11,647
Other services revenue	4,952	4,034
Total operating revenues	<u>184,852</u>	<u>182,601</u>
Operating expenses		
Salaries and related benefits	86,583	80,940
Facility and equipment costs	7,871	8,128
Outside services	10,217	8,747
Hardware and software maintenance and licensing	23,447	19,400
Reliability organization assessment	11,954	11,647
Depreciation	22,367	17,208
Other	5,610	5,588
Total operating expenses	<u>168,049</u>	<u>151,658</u>
Income from operations	16,803	30,943
Other income (expense)		
Interest income	2,136	434
Interest expense	(1,639)	(1,593)
Non-operating income	3	129
Change in unrestricted net assets	<u>17,303</u>	<u>29,913</u>
Unrestricted net assets, beginning of year	36,738	7,617
Unrestricted net assets, end of period	<u>\$ 54,041</u>	<u>\$ 37,530</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Cash Flows**  
**For the Ten Months Ended October 31, 2017 and 2016**  
(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
<b>Operating activities:</b>		
Change in unrestricted net assets	\$ 17,303	\$ 29,913
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	22,367	17,208
Amortization of debt issuance costs	16	14
Net gain on capital assets	-	(113)
Changes in operating assets and liabilities:		
Accounts receivable	1,192	(581)
Unbilled revenue	417	(560)
Prepaid expenses and other assets	(6,159)	(2,483)
Other long-term liabilities	9	(2)
Accounts payable	295	(169)
Accrued liabilities	(926)	3,153
Deferred revenue	(1,616)	(1,348)
Net cash provided by operating activities	<u>32,898</u>	<u>45,032</u>
<b>Investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(28,420)	(13,432)
Proceeds from sale of property and equipment	-	1
Net cash (used in) investing activities	<u>(28,420)</u>	<u>(13,431)</u>
<b>Financing activities:</b>		
Repayment of notes payable	(3,000)	(3,000)
Payment of debt issuance costs	(3)	(9)
(Increase) in restricted cash	(88,714)	(15,840)
Increase (Decrease) in market settlement liabilities	96,443	(46,802)
Increase in security deposits	88,714	15,840
Net cash provided by (used in) financing activities	<u>93,440</u>	<u>(49,811)</u>
Net increase in cash and cash equivalents	97,918	(18,210)
Cash and cash equivalents, beginning of year	<u>307,091</u>	<u>307,353</u>
Cash and cash equivalents, end of period	<u>\$ 405,009</u>	<u>\$ 289,143</u>