



Item 6.1: Review 2018 Financial Summary

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Controller

Finance & Audit Committee Meeting

ERCOT Public
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Review 2018 Financial Summary: Variance to Budget (\$ in Millions) Net Revenues After Department Expenditures

Net Revenues Year to Date Actuals: \$4.3 M Favorable *(as of February 28, 2018)*

Major Revenue Variances

\$1.9 M over budget: system administration fees due to colder-than-expected weather and stronger economy

\$0.9 M over budget: interest income due to higher investment balance and rates

Major Expenditure Variances

\$0.6 M over budget: resource management (\$-0.9M staffing management; \$0.3M project work)

\$2.1 M under budget: timing differences

Net Revenues Year End Forecast: \$7.2 M Favorable *(as of March 28, 2018)*

Major Revenue Variances

\$4.0 M over budget: system administration fees based on current actuals and load forecast for remainder of year

\$5.4 M over budget: interest income due to higher investment balance and rates

Major Expenditure Variances

\$1.4 M over budget: resource management (\$-1.9 M staffing management; \$0.5 M project work)



Review 2018 Financial Summary: Statements of Financial Position

As of February 28, 2018 and 2017 (\$ in Millions)

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|-------------------|-----------------|
| Assets | | |
| Current assets | | |
| Unrestricted cash | \$ 630.5 | \$ 347.4 |
| Restricted cash | 569.9 | 342.3 |
| Other current assets | 36.7 | 33.5 |
| Total current assets | <u>1,237.1</u> | <u>723.2</u> |
| Long term assets | 132.9 | 125.0 |
| Total assets | <u>\$ 1,370.0</u> | <u>\$ 848.2</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| CRR auction liabilities | \$ 574.4 | \$ 313.1 |
| Other market liabilities | 92.6 | 71.6 |
| Total market settlement liabilities | <u>667.0</u> | <u>384.7</u> |
| Security deposits | 569.9 | 342.3 |
| Other current liabilities | 22.0 | 27.0 |
| Total current liabilities | <u>1,258.9</u> | <u>754.0</u> |
| Long term liabilities | 55.2 | 59.2 |
| Net assets without donor restrictions | 55.9 | 35.0 |
| Total liabilities and net assets | <u>\$ 1,370.0</u> | <u>\$ 848.2</u> |



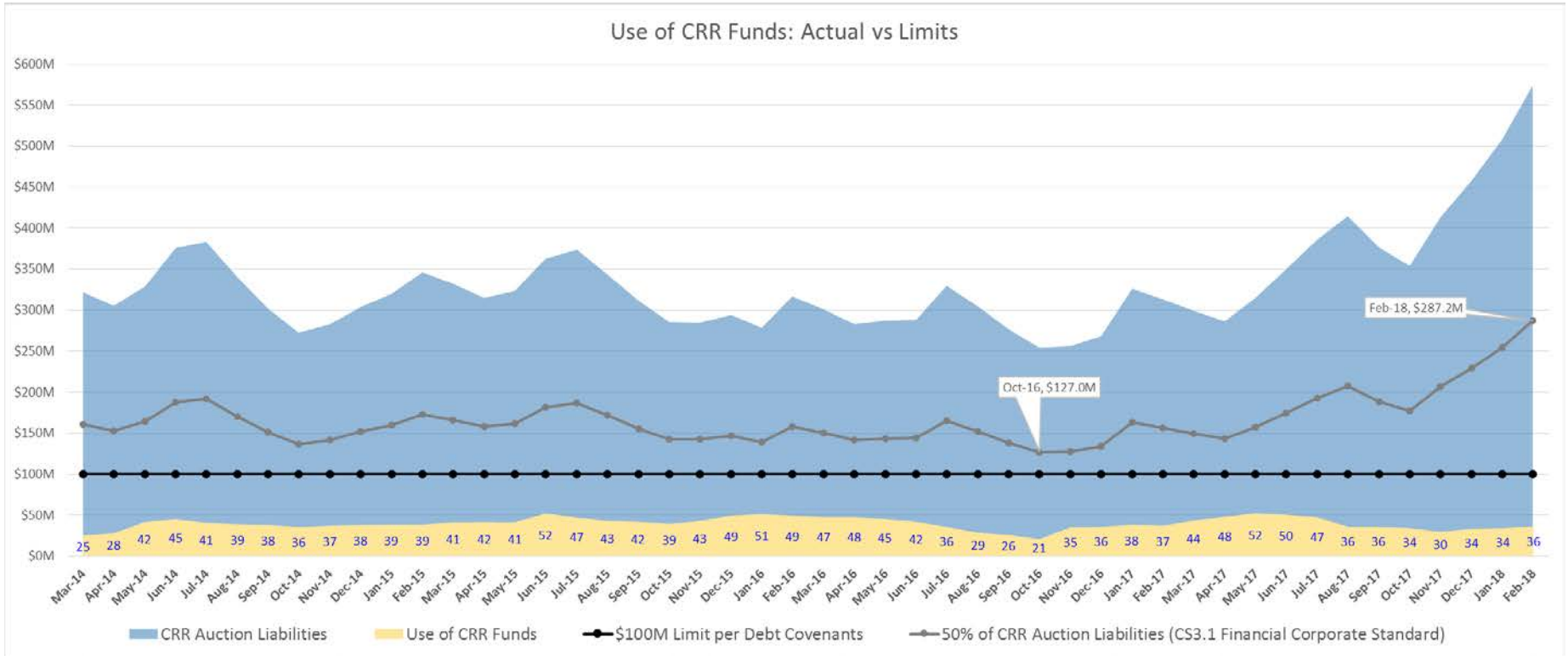
Review 2018 Financial Summary: Statements of Activities and Net Assets

For the Two Months Ended February 28, 2018 and 2017 (\$ in Millions)

| | 2018 | | 2017 |
|--|-------------|----|-------------|
| Operating revenues | \$ 35.8 | \$ | 31.6 |
| Operating expenses | 35.3 | | 33.2 |
| Gain (Loss) from operations | 0.5 | | (1.6) |
| Other income (expense) | 0.9 | | (0.1) |
| Change in net assets without donor restrictions | 1.4 | | (1.7) |
| Net assets without donor restrictions, beginning of year | 54.5 | | 36.7 |
| Net assets without donor restrictions, end of period | \$ 55.9 | \$ | 35.0 |



Review 2018 Financial Summary: Use of CRR Funds: Actual vs Limits



Appendices

| Electric Reliability Council of Texas, Inc. 2018 Financial Summary As of March 28, 2018 (\$ in Millions) | | | | | | Year to Date (February 28) | | | | | Year End (December 31) | | | | |
|---|------------------------------------|-----------------|-----------------|---------------|---------------|----------------------------|---------------|---------------|-----------------|---------------|------------------------|--|------|--|--|
| | | | | | | 2017 | | 2018 | | | 2017 | | 2018 | | |
| Line | Actual | Budget | Actual | Variance | | Actual | Budget | Forecast | Variance | | | | | | |
| | | | | \$ | % | | | | \$ | % | | | | | |
| 1 | \$ 28.0 | \$ 30.0 | \$ 31.8 | \$ 1.9 | 6.3 | \$ 199.3 | \$ 201.8 | \$ 205.8 | \$ 4.0 | 2.0 | | | | | |
| 2 | Department Net Expenditures | | | | | | | | | | | | | | |
| 3 | 10.7 | 11.3 | 10.9 | 0.3 | 2.7 | 64.9 | 68.2 | 68.7 | (0.5) | (0.7) | | | | | |
| 4 | 9.8 | 10.9 | 10.0 | 0.9 | 8.3 | 57.7 | 64.4 | 65.0 | (0.6) | (0.9) | | | | | |
| 5 | 2.0 | 2.6 | 1.6 | 1.0 | 38.5 | 10.6 | 14.5 | 9.3 | 5.2 | 35.9 | | | | | |
| 6 | 1.1 | 1.1 | 1.1 | - | - | 5.9 | 6.6 | 6.5 | 0.1 | 1.5 | | | | | |
| 7 | 0.6 | 0.9 | 0.6 | 0.2 | 22.2 | 4.6 | 5.3 | 5.5 | (0.2) | (3.8) | | | | | |
| 8 | 0.7 | 0.8 | 0.7 | - | - | 4.3 | 4.7 | 5.4 | (0.7) | (14.9) | | | | | |
| 9 | 0.3 | 0.3 | 0.3 | - | - | 1.9 | 2.1 | 2.2 | (0.1) | (4.8) | | | | | |
| 10 | 25.1 | 27.9 | 25.2 | 2.4 | 8.6 | 149.9 | 165.8 | 162.6 | 3.2 | 1.9 | | | | | |
| 11 | 2.8 | 2.1 | 6.5 | 4.3 | 204.8 | 49.4 | 36.0 | 43.2 | 7.2 | 20.0 | | | | | |
| 12 | | | | | | | | | | | | | | | |
| 13 | 5.1 | 4.8 | 6.6 | (1.8) | (38.5) | 38.1 | 28.5 | 37.1 | (8.6) | (30.2) | | | | | |
| 14 | | | | | | | | | | | | | | | |
| 15 | \$ (2.3) | \$ (2.7) | \$ (0.1) | \$ 2.6 | 97.1 | \$ 11.3 | \$ 7.5 | \$ 6.1 | \$ (1.4) | 18.7 | | | | | |

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc.
2018 Financial Summary Variance Explanations
As of March 28, 2018

| Line | Year to Date (February 28) | Year End (December 31) |
|---|--|--|
| 1 System Administration Fee Revenue | + \$1.5 M - Colder-than-expected weather + \$0.4 M - Stronger economy | + \$4.0 M - Based on current actuals and load forecast for remainder of year |
| 3 Information Technology | - \$0.3 M - Common infrastructure purchases (Computer Hardware) - \$0.3 M - Lower-than-budgeted vacancy (Resource Management) - \$0.2 M - Higher allocated employee health costs - \$0.1 M - Lower amount of project funded labor (Resource Management) + \$0.4 M - HW/SW vendor support services (Resource Management) + \$0.1 M - Minor capital purchases (Equipment Purchases) + \$0.2 M - HW/SW support and maintenance renewals + \$0.1 M - Building systems maintenance Timing Differences + \$0.4 M - HW/SW support and maintenance renewals | - \$0.8 M - Common infrastructure purchases (Computer Hardware) - \$0.5 M - Lower-than-budgeted vacancy (Resource Management) - \$0.5 M - Higher allocated employee health costs - \$0.1 M - Lower amount of project funded labor (Resource Management) + \$0.6 M - HW/SW vendor support services (Resource Management) + \$0.4 M - Minor capital purchases (Equipment Purchases) + \$0.2 M - HW/SW support and maintenance renewals + \$0.2 M - Building systems maintenance |
| 4 Operations | - \$0.2 M - Higher allocated employee health costs - \$0.4 M - Lower-than-budgeted vacancy (Resource Management) + \$0.2 M - Interconnection revenue Timing Differences + \$0.9 M - External studies/consulting services + \$0.3 M - Black Start and Operator Training Seminar expenses + \$0.1 M - Employee training and business travel | - \$0.7 M - Higher allocated employee health costs - \$0.4 M - Lower-than-budgeted vacancy (Resource Management) + \$0.5 M - Interconnection revenue |
| 5 Finance & Treasury | + \$0.9 M - Interest income + \$0.1 M - Property tax - \$0.1 M - Lower-than-budgeted vacancy (Resource Management) Timing Differences + \$0.1 M - Corporate insurance | + \$5.4 M - Interest income + \$0.2 M - Property tax - \$0.3 M - Lower-than-budgeted vacancy (Resource Management) - \$0.1 M - Higher allocated employee health costs |
| 6 External Affairs & Corporate Communications | No material variance | + \$0.2 M - Higher-than-budgeted vacancy (Resource Management) - \$0.1 M - Higher allocated employee health costs |
| 7 Human Resources | Timing Differences + \$0.1 M - Employee reward & recognition program + \$0.1 M - Professional training and employee health program services | - \$0.2 M - Lower-than-budgeted vacancy (Resource Management) |
| 8 General Counsel | - \$0.1 M - Lower-than-budgeted vacancy (Resource Management) Timing Differences + \$0.1 M - Outside legal services | - \$0.6 M - Lower-than-budgeted vacancy (Resource Management) - \$0.1 M - Higher allocated employee health costs |
| 9 Corporate Administration | No material variance | - \$0.1 M - Lower-than-budgeted vacancy (Resource Management) |
| 13 Project Expenditures | - \$1.8 M - Multiple projects | - \$8.6 M - Timing differences for Data Center 4.0 Optimization (DC4) and Training Facility |

Electric Reliability Council of Texas, Inc.
Project Expenditures - Technical Foundation Demand vs. Year End (YE) Forecast
As of March 28, 2018
(\$ 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, 2018 | Order Based on PPL Priority: Current | Year to Date (Feb. 28, 2018) | | Year End | | | | |
|--|--|--|---|-----------------------------------|------------------------------------|-------------------|---------------------|-----------------|---|--------------|
| | | | | Year to Date Project Actual | % Spend to Year End Forecast | Project Budget | Project Forecast | Variance | | |
| | | | | | | | | \$ | % | |
| Technical Foundation | | | | | | | | | | |
| Identity and Access Management: Evaluation & Execution | Planning | 1 | 1 | \$ 0.4 | 11.8 | \$ 3.4 | \$ 3.4 | \$ - | - | |
| EDI Translator and Mapping Replacement | Not Yet Initiated | 2 | 2 | - | - | 0.5 | 0.5 | - | - | |
| Corporate Wireless | Execution | 4 | 3 | 0.1 | 14.3 | 0.7 | 0.7 | - | - | |
| iTest Data Refresh | Execution | 3 | 4 | 0.1 | 20.0 | 0.5 | 0.5 | - | - | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | |
| | Complete | | | - | n/a | - | - | - | - | n/a |
| | Closing | | | - | n/a | - | - | - | - | n/a |
| | Stabilization | | | - | n/a | - | - | - | - | n/a |
| | Execution | | | 0.2 | 11.1 | 1.8 | 1.8 | - | - | |
| | Planning | | | - | n/a | - | - | - | - | n/a |
| | Initiation | | | - | - | 0.2 | 0.2 | - | - | |
| | On Hold | | | - | - | 0.1 | 0.1 | - | - | |
| | Not Yet Initiated | | | - | - | 0.1 | 0.1 | - | - | |
| Other Project Spend | | | | | | | | | | |
| | Variance of Completed Projects | | | | | - | - | - | - | n/a |
| | Variance of In-flight & Not Yet Initiated Projects | | | | | 3.7 | - | 3.7 | | 100.0 |
| | | | Subtotal | \$ 0.8 | 11.0 | \$ 11.0 | \$ 7.3 | \$ 3.7 | | 33.6 |
| Data Center 4.0 Optimization (DC4) Program | Execution | | | 2.6 | 32.1 | 4.0 | 8.1 | (4.1) | | (102.5) |
| | | | Total - Technical Foundation | \$ 3.4 | 22.1 | \$ 15.0 | \$ 15.4 | \$ (0.4) | | (2.7) |

Electric Reliability Council of Texas, Inc.
Project Expenditures - Technical Foundation Project Budgets vs. Estimates at Completion (EACs)
As of March 28, 2018
(\$ 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 (Feb. 28, 2018) | | Estimate at Completion (EAC) | | | | | |
|--|-------------------|--|---|-------------------------------------|----------------------------|------------------------------|---------------------|----------------|---------------|------------|--|
| | | | | Life to Date Project Actual | % Spend to EAC Forecast | Project Budget | Project Forecast | Variance | | | |
| | | | | | | | | \$ | % | | |
| Technical Foundation | | | | | | | | | | | |
| Identity and Access Management: Evaluation & Execution | Planning | 1 | 1 | \$ 2.9 | 49.2 | \$ 5.9 | \$ 5.9 | \$ - | - | | |
| EDI Translator and Mapping Replacement | Not Yet Initiated | 2 | 2 | - | - | 1.5 | 1.5 | - | - | | |
| Corporate Wireless | Execution | 4 | 3 | 0.2 | 28.6 | 0.7 | 0.7 | - | - | | |
| iTest Data Refresh | Execution | 3 | 4 | 0.2 | 28.6 | 0.7 | 0.7 | - | - | | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | | |
| | Complete | | | 0.2 | 100.0 | 0.2 | 0.2 | - | - | | |
| | Closing | | | 0.1 | 100.0 | 0.3 | 0.1 | 0.2 | 66.7 | | |
| | Stabilization | | | 0.2 | 100.0 | 0.2 | 0.2 | - | - | | |
| | Execution | | | 0.8 | 34.8 | 2.3 | 2.3 | - | - | | |
| | Planning | | | - | n/a | - | - | - | n/a | | |
| | Initiation | | | - | - | 0.2 | 0.2 | - | - | | |
| | On Hold | | | - | - | 0.1 | 0.1 | - | - | | |
| | Not Yet Initiated | | | - | - | 0.3 | 0.3 | - | - | | |
| | | | | Subtotal | \$ 4.6 | 37.7 | \$ 12.4 | \$ 12.2 | \$ 0.2 | 1.6 | |
| Data Center 4.0 Optimization (DC4) Program | Execution | | | 38.2 | 82.0 | 48.0 | 46.6 | 1.4 | 2.9 | | |
| | | | | Total - Technical Foundation | \$ 42.8 | 72.8 | \$ 60.4 | \$ 58.8 | \$ 1.6 | 2.6 | |

Electric Reliability Council of Texas, Inc.
Project Expenditures - Capital Enhancements Demand vs. Year End (YE) Forecast
As of March 28, 2018
(\$ 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, 2018 | Order Based on PPL Priority: Current | Year to Date (Feb. 28, 2018) | | Year End | | | | | | |
|--|--|--|---|-----------------------------------|------------------------------------|-------------------|---------------------|----------------|-----------------|---------------|--|--|
| | | | | Year to Date Project Actual | % Spend to Year End Forecast | Project Budget | Project Forecast | Variance | | | | |
| | | | | | | | | \$ | % | | | |
| Regulatory | | | | | | | | | | | | |
| Security Information and Event Management (SIEM) Replacement | Initiation | - | 1 | \$ - | - | \$ 0.7 | \$ 0.7 | \$ - | - | | | |
| Business Strategy | | | | | | | | | | | | |
| Resource Asset Registration Form (RARF) Replacement | Execution | 1 | 1 | - | - | 1.3 | 1.3 | - | - | | | |
| 2015 Credit Monitoring and Management (CMM) NPRRs | Execution | 2 | 2 | 0.4 | 21.1 | 0.9 | 1.9 | (1.0) | (111.1) | | | |
| Resource Integration and Ongoing Operations (RIOO) | Not Yet Initiated | 3 | 3 | - | - | 1.0 | 1.0 | - | - | | | |
| ERCOT Flight Certification Website | Execution | 4 | 4 | 0.1 | 20.0 | 0.5 | 0.5 | - | - | | | |
| Congestion Revenue Rights (CRR) UI Framework Upgrade | Execution | 5 | 5 | 0.1 | 20.0 | 0.1 | 0.5 | (0.4) | (400.0) | | | |
| Enterprise Content Alignment Program (ECAP) | Execution | 6 | 6 | 0.4 | 28.6 | 1.4 | 1.4 | - | - | | | |
| Phasor Measurement Unit (PMU) Tool Evaluation and Implementation | Execution | 7 | 7 | - | - | 0.7 | 0.7 | - | - | | | |
| Reactive Power Coordination: Assessment & Proof of Concept (PoC) | Execution | 8 | 8 | - | - | 0.3 | 0.2 | 0.1 | 33.3 | | | |
| Multi Station Breaker to Breaker One Lines (Planning) | Execution | 9 | 9 | 0.1 | 20.0 | 0.4 | 0.5 | (0.1) | (25.0) | | | |
| Training Facility | Execution | 10 | 10 | 0.7 | 7.0 | 5.5 | 10.0 | (4.5) | (81.8) | | | |
| Weather Imaging and Line Observation (WILO) | Not Yet Initiated | - | 11 | - | - | 0.8 | 0.8 | - | - | | | |
| Efficiencies / Enhancements | | | | | | | | | | | | |
| IT Change and Configuration Management: Evaluation & Phase 2 | Execution | 1 | 1 | 0.6 | 40.0 | 1.3 | 1.5 | (0.2) | (15.4) | | | |
| SAS Technical Architecture Redesign | Stabilization | 2 | 2 | 0.1 | 50.0 | 0.2 | 0.2 | - | - | | | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | | | |
| | Complete | | | - | n/a | - | - | - | n/a | | | |
| | Closing | | | - | n/a | - | - | - | n/a | | | |
| | Stabilization | | | - | n/a | - | - | - | n/a | | | |
| | Execution | | | 0.5 | 23.8 | 2.2 | 2.1 | 0.1 | 4.5 | | | |
| | Planning | | | 0.2 | 14.3 | 1.4 | 1.4 | - | - | | | |
| | Initiation | | | - | - | 0.7 | 0.7 | - | - | | | |
| | On Hold | | | - | n/a | - | - | - | n/a | | | |
| | Not Yet Initiated | | | - | - | 0.6 | 0.6 | - | - | | | |
| Other Project Spend | | | | | | | | | | | | |
| | Variance of Completed Projects | | | | | - | - | - | n/a | | | |
| | Variance of In-flight & Not Yet Initiated Projects | | | | | (6.5) | (4.3) | (2.2) | 33.8 | | | |
| Total - Capital Enhancements | | | | \$ | 3.2 | 14.7 | \$ 13.5 | \$ 21.7 | \$ (8.2) | (60.7) | | |

Electric Reliability Council of Texas, Inc.
Project Expenditures - Capital Enhancements Project Budgets vs. Estimates at Completion (EACs)
As of March 28, 2018
(\$ 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, 2018 | Order Based on PPL Priority: Current | Life to Date (Feb. 28, 2018) | | Estimate at Completion (EAC) | | | | |
|--|-------------------|--|---|-----------------------------------|----------------------------|------------------------------|---------------------|-----------------|--------------|--|
| | | | | Life to Date Project Actual | % Spend to EAC Forecast | Project Budget | Project Forecast | Variance | | |
| | | | | | | | | \$ | % | |
| Regulatory | | | | | | | | | | |
| Security Information and Event Management (SIEM) Replacement | Initiation | - | 1 | \$ - | - | \$ 0.7 | \$ 0.7 | \$ - | - | |
| Business Strategy | | | | | | | | | | |
| Resource Asset Registration Form (RARF) Replacement | Execution | 1 | 1 | 0.5 | 27.8 | 1.8 | 1.8 | - | - | |
| 2015 Credit Monitoring and Management (CMM) NPRRs | Execution | 2 | 2 | 2.5 | 59.5 | 3.0 | 4.2 | (1.2) | (40.0) | |
| Resource Integration and Ongoing Operations (RIOO) | Not Yet Initiated | 3 | 3 | - | - | 2.0 | 2.0 | - | - | |
| ERCOT Flight Certification Website | Execution | 4 | 4 | 0.4 | 50.0 | 0.8 | 0.8 | - | - | |
| Congestion Revenue Rights (CRR) UI Framework Upgrade | Execution | 5 | 5 | 2.1 | 87.5 | 2.4 | 2.4 | - | - | |
| Enterprise Content Alignment Program (ECAP) | Execution | 6 | 6 | 1.5 | 31.9 | 4.7 | 4.7 | - | - | |
| Phasor Measurement Unit (PMU) Tool Evaluation and Implementation | Execution | 7 | 7 | 0.7 | 50.0 | 1.4 | 1.4 | - | - | |
| Reactive Power Coordination: Assessment & Proof of Concept (PoC) | Execution | 8 | 8 | 0.2 | 50.0 | 0.7 | 0.4 | 0.3 | 42.9 | |
| Multi Station Breaker to Breaker One Lines (Planning) | Execution | 9 | 9 | 0.7 | 58.3 | 1.2 | 1.2 | - | - | |
| Training Facility | Execution | 10 | 10 | 1.6 | 14.5 | 11.0 | 11.0 | - | - | |
| Weather Imaging and Line Observation (WILO) | Not Yet Initiated | - | 11 | - | - | 0.8 | 0.8 | - | - | |
| Efficiencies / Enhancements | | | | | | | | | | |
| IT Change and Configuration Management: Evaluation & Phase 2 | Execution | 1 | 1 | 3.0 | 76.9 | 3.8 | 3.9 | (0.1) | (2.6) | |
| SAS Technical Architecture Redesign | Stabilization | 2 | 2 | 1.3 | 81.3 | 1.6 | 1.6 | - | - | |
| Projects Below \$0.7 Million EAC Budget Threshold by Phase | | | | | | | | | | |
| Complete | | | | 0.1 | 100.0 | 0.1 | 0.1 | - | - | |
| Closing | | | | 0.1 | 100.0 | 0.2 | 0.1 | 0.1 | 50.0 | |
| Stabilization | | | | - | n/a | - | - | - | n/a | |
| Execution | | | | 2.0 | 55.6 | 3.6 | 3.6 | - | - | |
| Planning | | | | 0.6 | 30.0 | 2.1 | 2.0 | 0.1 | 4.8 | |
| Initiation | | | | - | - | 0.9 | 1.0 | (0.1) | (11.1) | |
| On Hold | | | | - | n/a | - | - | - | n/a | |
| Not Yet Initiated | | | | - | - | 1.0 | 1.0 | - | - | |
| Total - Capital Enhancements | | | | \$ 17.3 | 38.7 | \$ 43.8 | \$ 44.7 | \$ (0.9) | (2.1) | |

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of February 28, 2018 and 2017**

(Dollars in Thousands)

| | 2018 | 2017 |
|--|---------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 630,544 | \$ 347,414 |
| Accounts receivable | 3,829 | 3,078 |
| Unbilled revenue | 2,818 | 2,641 |
| Restricted cash and cash equivalents | 569,910 | 342,266 |
| Prepaid expenses and other current assets | 29,992 | 27,780 |
| Total current assets | 1,237,093 | 723,179 |
| Property and equipment, net | 111,108 | 106,618 |
| Systems under development | 21,798 | 18,404 |
| Total assets | \$ 1,369,999 | \$ 848,201 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,339 | \$ 8,557 |
| Accrued liabilities | 10,018 | 9,493 |
| Deferred revenue | 1,595 | 5,029 |
| Market settlement liabilities | 667,019 | 384,666 |
| Security deposits | 569,910 | 342,266 |
| Notes payable, current portion | 4,000 | 4,000 |
| Total current liabilities | 1,258,881 | 754,011 |
| Long term liabilities: | | |
| Notes payable, less current portion: | | |
| Principal | 55,000 | 59,000 |
| Less unamortized debt issuance costs | 195 | 210 |
| Notes payable less current portion and unamortized debt issuance costs | 54,805 | 58,790 |
| Other long term liabilities | 412 | 374 |
| Total long term liabilities | 55,217 | 59,164 |
| Total liabilities | 1,314,098 | 813,175 |
| Net assets without donor restrictions | 55,901 | 35,026 |
| Total liabilities and net assets | \$ 1,369,999 | \$ 848,201 |

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Activities and Net Assets****For the Two Months Ended February 28, 2018 and 2017**

(Dollars in Thousands)

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Operating revenues | | |
| System administration fees | \$ 31,837 | \$ 27,972 |
| Reliability organization pass-through | 2,721 | 2,391 |
| Other services revenue | 1,271 | 1,267 |
| Total operating revenues | <u>35,829</u> | <u>31,630</u> |
| Operating expenses | | |
| Salaries and related benefits | 19,297 | 18,421 |
| Facility and equipment costs | 1,508 | 1,842 |
| Outside services | 1,925 | 1,541 |
| Hardware and software maintenance and licensing | 4,090 | 3,687 |
| Reliability organization assessment | 2,721 | 2,391 |
| Depreciation | 4,867 | 4,336 |
| Other | 885 | 1,003 |
| Total operating expenses | <u>35,293</u> | <u>33,221</u> |
| Income (loss) from operations | 536 | (1,591) |
| Other income (expense) | | |
| Interest income | 1,136 | 203 |
| Interest expense | (304) | (324) |
| Non-operating income | - | - |
| Change in net assets without donor restrictions | <u>1,368</u> | <u>(1,712)</u> |
| Net assets without donor restrictions, beginning of year | 54,533 | 36,738 |
| Net assets without donor restrictions, end of period | <u>\$ 55,901</u> | <u>\$ 35,026</u> |

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Two Months Ended February 28, 2018 and 2017**

(Dollars in Thousands)

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Operating activities: | | |
| Change in net assets without donor restrictions | \$ 1,368 | \$ (1,712) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities: | | |
| Depreciation | 4,867 | 4,336 |
| Amortization of debt issuance costs | 2 | 3 |
| Net gain on capital assets | - | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 928 | 1,322 |
| Unbilled revenue | 1,584 | 522 |
| Prepaid expenses and other assets | (3,627) | (6,145) |
| Other long-term liabilities | 24 | (1) |
| Accounts payable | 2,124 | 5,228 |
| Accrued liabilities | 321 | (1,774) |
| Deferred revenue | (3,044) | 826 |
| Net cash provided by operating activities | <u>4,547</u> | <u>2,605</u> |
| Investing activities: | | |
| Capital expenditures for property and equipment and systems under development | (7,461) | (4,079) |
| Proceeds from sale of property and equipment | - | - |
| Net cash (used in) investing activities | <u>(7,461)</u> | <u>(4,079)</u> |
| Financing activities: | | |
| Repayment of notes payable | - | - |
| Payment of debt issuance costs | - | - |
| (Increase) decrease in restricted cash | (13,902) | 44,919 |
| Increase in market settlement liabilities | 132,457 | 41,797 |
| Increase (decrease) in security deposits | 13,902 | (44,919) |
| Net cash provided by financing activities | <u>132,457</u> | <u>41,797</u> |
| Net increase in cash and cash equivalents | 129,543 | 40,323 |
| Cash and cash equivalents, beginning of year | 501,001 | 307,091 |
| Cash and cash equivalents, end of period | <u>\$ 630,544</u> | <u>\$ 347,414</u> |