



## **Item 5.1: Review 2018 Financial Summary**

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Controller

Finance & Audit Committee Meeting

ERCOT Public  
June 11, 2018

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

**Net Revenues Year to Date Actuals: \$8.3 M Favorable** *(as of April 30, 2018)*

## Major Revenue Variances

\$2.3 M over budget: interest income due to higher investment balance and rates

\$1.7 M over budget: system administration fees due to weather and stronger economy

\$0.4 M over budget: interconnection revenue

## Major Expenditure Variances

\$0.4 M over budget: resource management (\$-1.1 M staffing management; \$0.7 M project work)

\$3.4 M under budget: timing differences

**Net Revenues Year End Forecast: \$12.3 M Favorable** *(as of May 31, 2018)*

## Major Revenue Variances

\$8.5 M over budget: interest income due to higher investment balance and rates

\$3.6 M over budget: system administration fees based on current actuals and load forecast for remainder of year

\$1.2 M over budget: interconnection revenue

## Major Expenditure Variances

\$1.6 M over budget: resource management (\$-2.5 M staffing management; \$0.9 M project work)



# Review 2018 Financial Summary: Statements of Financial Position

## As of April 30, 2018 and 2017 (\$ in Millions)

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets		
Unrestricted cash	\$ 669.6	\$ 326.3
Restricted cash	494.9	360.2
Other current assets	32.4	31.5
Total current assets	<u>1,196.9</u>	<u>718.0</u>
Long term assets	133.6	133.1
Total assets	<u>\$ 1,330.5</u>	<u>\$ 851.1</u>
 <b>Liabilities and Net Assets</b>		
Current liabilities		
CRR auction liabilities	\$ 636.0	\$ 286.7
Other market liabilities	69.2	87.4
Total market settlement liabilities	<u>705.2</u>	<u>374.1</u>
Security deposits	494.9	360.2
Other current liabilities	20.0	24.4
Total current liabilities	<u>1,220.1</u>	<u>758.7</u>
Long term liabilities	54.2	58.2
Net assets without donor restrictions	56.2	34.2
Total liabilities and net assets	<u>\$ 1,330.5</u>	<u>\$ 851.1</u>

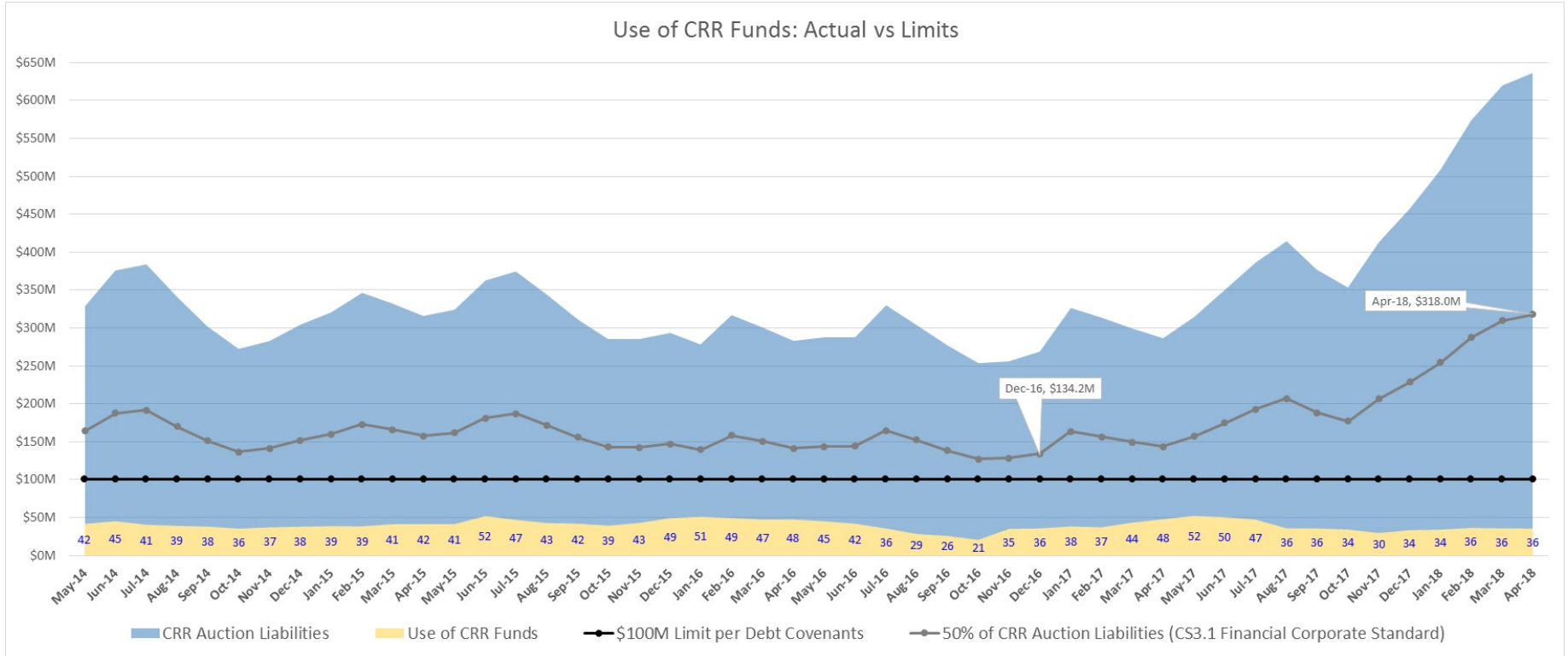


# Review 2018 Financial Summary: Statements of Activities and Net Assets

## For the Four Months Ended April 30, 2018 and 2017 (\$ in Millions)

	<b>2018</b>	<b>2017</b>
Operating revenues	\$ 68.5	\$ 64.0
Operating expenses	69.0	66.4
Loss from operations	(0.5)	(2.4)
Other income (expense)	2.2	(0.1)
Change in net assets without donor restrictions	1.7	(2.5)
Net assets without donor restrictions, beginning of year	54.5	36.7
Net assets without donor restrictions, end of period	<u>\$ 56.2</u>	<u>\$ 34.2</u>

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



# Appendices

Electric Reliability Council of Texas, Inc. 2018 Financial Summary As of May 31, 2018 (\$ in Millions)																	
						Year to Date (April 30)			Year End (December 31)								
						2017	2018				2017	2018					
								<u>Variance</u>						<u>Variance</u>			
Line						Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%		
1	<b>System Administration Revenue</b>					\$ 57.0	\$ 59.2	\$ 60.8	\$ 1.7	2.9	\$ 199.3	\$ 201.8	\$ 205.4	\$ 3.6	1.8		
2	<b>Department Net Expenditures</b>																
3	Information Technology					21.7	22.7	21.2	1.5	6.6	64.9	68.2	68.3	(0.1)	(0.1)		
4	Operations					19.1	21.6	19.9	1.7	7.9	57.7	64.4	64.4	-	-		
5	Finance & Treasury					4.0	5.2	2.3	2.8	53.8	10.6	14.5	5.4	9.1	62.8		
6	External Affairs & Corporate Communications					2.1	2.2	2.1	0.1	4.5	5.9	6.6	6.5	0.1	1.5		
7	Human Resources					1.2	1.8	1.3	0.4	22.2	4.6	5.3	5.2	0.1	1.9		
8	General Counsel					1.3	1.5	1.4	0.1	6.7	4.3	4.7	5.1	(0.4)	(8.5)		
9	Corporate Administration					0.7	0.7	0.6	-	-	1.9	2.1	2.2	(0.1)	(4.8)		
10	<b>Total Department Net Expenditures</b>					<b>50.1</b>	<b>55.6</b>	<b>48.8</b>	<b>6.6</b>	<b>11.9</b>	<b>149.9</b>	<b>165.8</b>	<b>157.1</b>	<b>8.7</b>	<b>5.2</b>		
11	<b>Net Revenues After Department Expenditures</b>					<b>7.1</b>	<b>3.5</b>	<b>11.9</b>	<b>8.3</b>	<b>237.1</b>	<b>49.4</b>	<b>36.0</b>	<b>48.3</b>	<b>12.3</b>	<b>34.2</b>		
12																	
13	<b>Less: Project Expenditures</b>					<b>18.4</b>	<b>9.5</b>	<b>12.2</b>	<b>(2.7)</b>	<b>(28.4)</b>	<b>38.1</b>	<b>28.5</b>	<b>39.1</b>	<b>(10.6)</b>	<b>(37.2)</b>		
14																	
15	<b>Net Available for Debt &amp; Working Capital</b>					<b>\$ (11.3)</b>	<b>\$ (6.0)</b>	<b>\$ (0.3)</b>	<b>\$ 5.7</b>	<b>95.0</b>	<b>\$ 11.3</b>	<b>\$ 7.5</b>	<b>\$ 9.2</b>	<b>\$ 1.7</b>	<b>(22.7)</b>		

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2018 Financial Summary Variance Explanations As of May 31, 2018		
Line	Year to Date (April 30)	Year End (December 31)
1 System Administration Fee Revenue	+\$0.9 M - Stronger economy +\$0.8 M - Weather	+\$3.6 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 - Contingent labor (Resource Management)  +\$0.7 M - HW/SW vendor support services (Resource Management) +\$0.1 M - Minor capital purchases (Equipment Purchases) +\$0.3 M - HW/SW support and maintenance renewals +\$0.2 M - Building systems maintenance <b>Timing Differences</b> +\$0.6 M - HW/SW support and maintenance renewals +\$0.2 M - Employee training and business travel +\$0.1 M - Data service subscription +\$0.1 M - Other miscellaneous variances	-\$0.6 M - Common infrastructure purchases (Computer Hardware) -\$0.5 M - Lower-than-budgeted vacancy (Resource Management) -\$0.5 M - Contingent labor (Resource Management) -\$0.2 M - Higher allocated employee health costs +\$0.9 M - HW/SW vendor support services (Resource Management) +\$0.3 M - Minor capital purchases (Equipment Purchases) +\$0.3 M - HW/SW support and maintenance renewals +\$0.2 M - Building systems maintenance
4 Operations	+\$0.4 M - Interconnection revenue -\$0.4 M - Lower-than-budgeted vacancy (Resource Management) -\$0.1 M - Higher allocated employee health costs <b>Timing Differences</b> +\$1.1 M - External studies/consulting services +\$0.3 M - Black Start and Operator Training Seminar expenses +\$0.2 M - Employee training and business travel +\$0.2 M - Minor capital purchases (Equipment Purchases)	+\$1.2 M - Interconnection revenue -\$1.0 M - Lower-than-budgeted vacancy (Resource Management) -\$0.2 M - Higher allocated employee health costs
5 Finance & Treasury	+\$2.3 M - Interest income +\$0.2 M - Insurance premiums +\$0.1 M - Property tax +\$0.1 M - Insurance claim +\$0.1 M - Contingent labor (Resource Management) +\$0.1 M - Interest expense -\$0.2 M - Lower-than-budgeted vacancy (Resource Management) <b>Timing Differences</b> +\$0.1 M - Electricity	+\$8.5 M - Interest income +\$0.2 M - Insurance premiums +\$0.2 M - Property tax +\$0.1 M - Insurance claim +\$0.1 M - Contingent labor (Resource Management) +\$0.1 M - Interest expense -\$0.1 M - Lower-than-budgeted vacancy (Resource Management)
6 External Affairs & Corporate Communications	<b>Timing Differences</b> +\$0.1 M - External studies/consulting services	+\$0.1 M - Higher-than-budgeted vacancy (Resource Management)
7 Human Resources	+\$0.1 M - Recruiting costs +\$0.1 M - New hire relocation <b>Timing Differences</b> +\$0.1 M - Employee reward & recognition program +\$0.1 M - Internship program	+\$0.1 M - Recruiting costs +\$0.1 M - New hire relocation
8 General Counsel	-\$0.1 M - Lower-than-budgeted vacancy (Resource Management) <b>Timing Differences</b> +\$0.1 M - Outside legal services +\$0.1 M - Board of Directors expense	-\$0.4M - Lower-than-budgeted vacancy (Resource Management)
9 Corporate Administration	No material variance	-\$0.1 M - Lower-than-budgeted vacancy (Resource Management)
14 Project Expenditures	-\$2.7 M - Multiple projects	-\$10.6 M - Timing differences for Data Center 4.0 Optimization (DC4) and Training Facility



**Electric Reliability Council of Texas, Inc.**  
**Project Expenditures Summary**  
(\$ in Millions)

Line	Project	Year to Date As of April 30, 2018		Year End (YE) As of May 31, 2018		Life to Date As of April 30, 2018		Estimate at Completion (EAC) As of May 31, 2018			
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	<b>Projects with EAC Budget Over \$2.5 M</b>										
2	Data Center 4.0 Optimization (DC4) Program	\$ 3.6	40%	\$ 9.1	23%	\$ 39.2	84%	\$ 46.9	44%	\$ 48.0	\$ 1.1
3	Training Facility	1.7	17%	10.0	26%	2.6	24%	11.0	10%	11.0	-
4	Identity and Access Management	1.0	29%	3.4	9%	3.4	54%	6.4	6%	6.4	-
5	IT Change and Configuration Management	1.1	40%	2.8	7%	3.5	66%	5.3	5%	5.3	-
6	Enterprise Content Alignment Program (ECAP)	0.6	49%	1.3	3%	1.7	37%	4.6	4%	4.6	-
7	2015 Credit Monitoring and Management (CMM) NPRRs	0.7	39%	1.9	5%	2.8	66%	4.3	4%	4.3	-
8	Privileged Account Management (PAM)	-	0%	1.0	2%	0.0	0%	2.6	2%	2.6	-
9	Congestion Revenue Rights (CRR) Framework Upgrade	0.2	33%	0.5	1%	2.2	87%	2.5	2%	2.6	-
10	<b>Total Projects with EAC Budget Over \$2.5 M</b>	<b>8.9</b>	<b>30%</b>	<b>30.0</b>	<b>77%</b>	<b>55.5</b>	<b>66%</b>	<b>83.6</b>	<b>78%</b>	<b>84.7</b>	<b>1.1</b>
11											
12	<b>Other Projects</b>	<b>3.2</b>	<b>35%</b>	<b>9.1</b>	<b>23%</b>	<b>10.1</b>	<b>42%</b>	<b>23.8</b>	<b>22%</b>	<b>25.4</b>	<b>1.5</b>
13											
14	<b>Total Project Expenditures</b>	<b>\$ 12.2</b>	<b>31%</b>	<b>\$ 39.1</b>	<b>100%</b>	<b>\$ 65.6</b>	<b>61%</b>	<b>\$ 107.4</b>	<b>100%</b>	<b>\$ 110.1</b>	<b>\$ 2.6</b>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Financial Position****As of April 30, 2018 and 2017**

(Dollars in Thousands)

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 669,552	\$ 326,302
Accounts receivable	3,493	1,964
Unbilled revenue	2,852	3,973
Restricted cash and cash equivalents	494,915	360,167
Prepaid expenses and other current assets	26,100	25,586
Total current assets	1,196,912	717,992
Property and equipment, net	108,170	104,558
Systems under development	25,440	28,599
Total assets	<u>\$ 1,330,522</u>	<u>\$ 851,149</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 3,279	\$ 2,225
Accrued liabilities	9,853	15,610
Deferred revenue	2,910	2,588
Market settlement liabilities	705,182	374,144
Security deposits	494,915	360,167
Notes payable, current portion	4,000	4,000
Total current liabilities	1,220,139	758,734
Long term liabilities:		
Notes payable, less current portion:		
Principal	54,000	58,000
Less unamortized debt issuance costs	195	210
Notes payable less current portion and unamortized debt issuance costs	53,805	57,790
Other long term liabilities	415	378
Total long term liabilities	54,220	58,168
Total liabilities	1,274,359	816,902
Net assets without donor restrictions	56,163	34,247
Total liabilities and net assets	<u>\$ 1,330,522</u>	<u>\$ 851,149</u>

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Activities and Net Assets****For the Four Months Ended April 30, 2018 and 2017**(Dollars in Thousands)

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	<b>2018</b>	<b>2017</b>
Operating revenues		
System administration fees	\$ 60,822	\$ 57,045
Reliability organization pass-through	5,443	4,782
Other services revenue	2,226	2,217
Total operating revenues	<u>68,491</u>	<u>64,044</u>
Operating expenses		
Salaries and related benefits	36,498	35,061
Facility and equipment costs	3,050	3,293
Outside services	4,348	3,358
Hardware and software maintenance and licensing	7,876	8,949
Reliability organization assessment	5,443	4,782
Depreciation	9,723	8,790
Other	2,111	2,164
Total operating expenses	<u>69,049</u>	<u>66,397</u>
Loss from operations	(558)	(2,353)
Other income (expense)		
Interest income	2,748	491
Interest expense	(560)	(632)
Non-operating income	-	3
Change in net assets without donor restrictions	<u>1,630</u>	<u>(2,491)</u>
Net assets without donor restrictions, beginning of year	54,533	36,738
Net assets without donor restrictions, end of period	<u>\$ 56,163</u>	<u>\$ 34,247</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Cash Flows****For the Four Months Ended April 30, 2018 and 2017**

(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ 1,630	\$ (2,491)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	9,723	8,790
Amortization of debt issuance costs	5	6
Changes in operating assets and liabilities:		
Accounts receivable	1,264	2,436
Unbilled revenue	1,550	(810)
Prepaid expenses and other assets	265	(3,951)
Other long-term liabilities	27	3
Accounts payable	(1,629)	(559)
Accrued liabilities	262	(936)
Deferred revenue	(1,729)	(1,615)
Net cash provided by operating activities	<u>11,368</u>	<u>873</u>
<b>Investing activities:</b>		
Capital expenditures for property and equipment and systems under development	(12,434)	(11,934)
Proceeds from sale of property and equipment	-	-
Net cash (used in) investing activities	<u>(12,434)</u>	<u>(11,934)</u>
<b>Financing activities:</b>		
Repayment of notes payable	(1,000)	(1,000)
Payment of debt issuance costs	(3)	(3)
Decrease in restricted cash	61,093	27,018
Increase in market settlement liabilities	170,620	31,275
(Decrease) in security deposits	(61,093)	(27,018)
Net cash provided by financing activities	<u>169,617</u>	<u>30,272</u>
Net increase in cash and cash equivalents	168,551	19,211
Cash and cash equivalents, beginning of year	501,001	307,091
Cash and cash equivalents, end of period	<u>\$ 669,552</u>	<u>\$ 326,302</u>