



Item 7.1: 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: \$16.7 M Favorable *(as of June 30, 2018)*

Highlighted Revenue Variances

\$4.2 M over budget: interest income due to higher investment balance and rates

\$5.0 M over budget: system administration fees due to weather and stronger economy

\$0.8 M over budget: interconnection revenue

Highlighted Expenditure Variances

\$0.0 M variance to budget: resource management (\$-1.3 M staffing management; \$1.3 M project work)

\$0.8 M under budget: HW/SW support and maintenance renewals

\$4.1 M under budget: timing differences

Net Revenues Year End Forecast: \$19.8 M Favorable *(as of July 25, 2018)*

Highlighted Revenue Variances

\$9.1 M over budget: interest income due to higher investment balance and rates

\$7.6 M over budget: system administration fees based on current actuals and load forecast for remainder of year

\$1.2 M over budget: interconnection revenue

Highlighted Expenditure Variances

\$1.0 M over budget: resource management (\$-2.4 M staffing management; \$1.4 M project work)

\$0.8 M under budget: HW/SW support and maintenance renewals



Review 2018 Financial Summary: Statements of Financial Position

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

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Unrestricted cash	\$ 767.9	\$ 392.0
Restricted cash	639.1	469.3
Other current assets	39.1	36.8
Total current assets	<u>1,446.1</u>	<u>898.1</u>
Long term assets	136.0	131.1
Total assets	<u>\$ 1,582.1</u>	<u>\$ 1,029.2</u>
Liabilities and Net Assets		
Current liabilities		
CRR auction liabilities	\$ 691.6	\$ 350.0
Other market liabilities	108.0	92.4
Total market settlement liabilities	<u>799.6</u>	<u>442.4</u>
Security deposits	639.1	469.3
Other current liabilities	22.8	20.8
Total current liabilities	<u>1,461.5</u>	<u>932.5</u>
Long term liabilities	53.2	57.2
Net assets without donor restrictions	67.4	39.5
Total liabilities and net assets	<u>\$ 1,582.1</u>	<u>\$ 1,029.2</u>



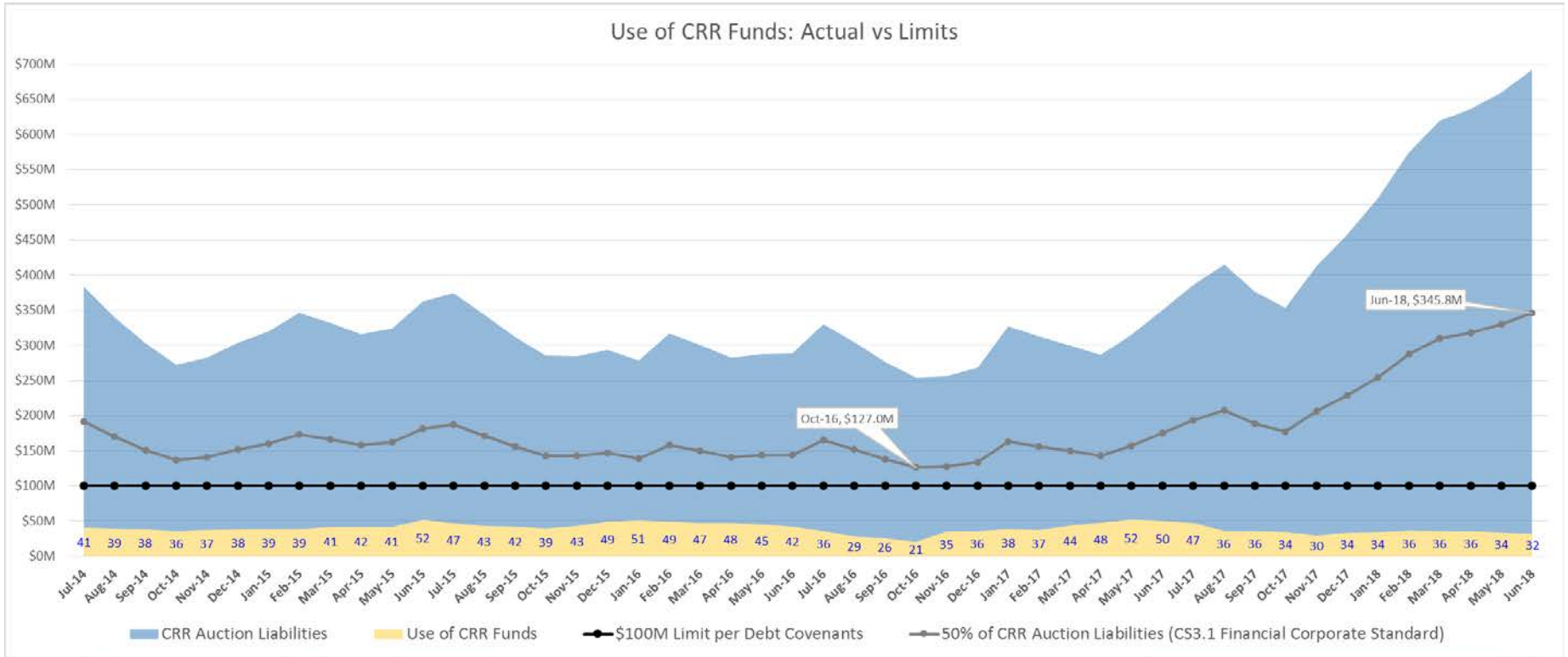
Review 2018 Financial Summary: Statements of Activities and Net Assets

For the Six Months Ended June 30, 2018 and 2017 (\$ in Millions)

	2018		2017
Operating revenues	\$ 112.0	\$	103.1
Operating expenses	103.1		100.2
Income from operations	8.9		2.9
Other income (expense)	4.0		(0.1)
Change in net assets without donor restrictions	12.9		2.8
Net assets without donor restrictions, beginning of year	54.5		36.7
Net assets without donor restrictions, end of period	\$ 67.4	\$	39.5



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



Appendices

Electric Reliability Council of Texas, Inc. 2018 Financial Summary As of July 25, 2018 (\$ in Millions)																
						Year to Date (June 30)			Year End (December 31)							
						2017	2018				2017	2018				
												<u>Variance</u>				
Line	Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%	Actual	Budget	Forecast	\$	%	
1	System Administration Revenue	\$ 92.7	\$ 95.5	\$ 100.5	\$ 5.0	5.2	\$ 199.3	\$ 201.8	\$ 209.4	\$ 7.6	3.8					
2	Department Net Expenditures															
3	Information Technology	32.0	34.1	31.2	2.9	8.5	64.9	68.2	67.2	1.0	1.5					
4	Operations	28.6	32.5	29.9	2.6	8.0	57.7	64.4	63.8	0.6	0.9					
5	Finance & Treasury	5.8	7.7	2.5	5.1	66.2	10.6	14.5	4.0	10.5	72.4					
6	External Affairs & Corporate Communications	2.9	3.3	3.0	0.3	9.1	5.9	6.6	6.4	0.2	3.0					
7	Human Resources	2.1	2.6	2.2	0.4	15.4	4.6	5.3	5.2	0.1	1.9					
8	General Counsel	2.0	2.4	2.1	0.3	12.5	4.3	4.7	4.9	(0.2)	(4.3)					
9	Corporate Administration	0.9	1.0	0.9	0.1	10.0	1.9	2.1	2.1	-	-					
10	Total Department Net Expenditures	74.3	83.5	71.8	11.7	14.0	149.9	165.8	153.6	12.2	7.4					
11	Net Revenues After Department Expenditures	18.3	12.0	28.6	16.7	139.2	49.4	36.0	55.8	19.8	55.0					
12																
13	Less: Project Expenditures	22.4	14.3	20.2	(5.9)	(41.3)	38.1	28.5	39.8	(11.3)	(39.6)					
14																
15	Net Available for Debt & Working Capital	\$ (4.1)	\$ (2.3)	\$ 8.4	\$ 10.7	465.2	\$ 11.3	\$ 7.5	\$ 16.0	\$ 8.5	(113.3)					

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc.
2018 Financial Summary Variance Explanations
As of July 25, 2018

Line	Year to Date (June 30)	Year End (December 31)
1 System Administration Fee Revenue	+\$4.6 M - Weather +\$0.4 M - Stronger economy	+\$7.6 M - Based on current actuals and load forecast for remainder of year
3 Information Technology	+\$0.8 M - HW/SW vendor support services (Resource Management) +\$0.8 M - HW/SW support and maintenance renewals +\$0.5 M - Project funded labor (Resource Management) +\$0.2 M - Minor capital purchases (Equipment Purchases) +\$0.2 M - Building systems maintenance +\$0.1 M - Lower allocated employee health costs -\$0.3 M - Lower-than-budgeted vacancy (Resource Management) -\$0.3 M - Common infrastructure purchases (Computer Hardware) -\$0.3 M - Contingent labor (Resource Management) Timing Differences +\$0.4 M - HW/SW support and maintenance renewals +\$0.3 M - Employee training and business travel +\$0.2 M - Data service subscriptions +\$0.1 M - Building systems maintenance +\$0.2 M - Miscellaneous variances	+\$0.9 M - HW/SW vendor support services (Resource Management) +\$0.8 M - HW/SW support and maintenance renewals +\$0.5 M - Project funded labor (Resource Management) +\$0.3 M - Minor capital purchases (Equipment Purchases) +\$0.2 M - Building systems maintenance +\$0.1 M - Lower allocated employee health costs -\$0.7 M - Lower-than-budgeted vacancy (Resource Management) -\$0.6 M - Common infrastructure purchases (Computer Hardware) -\$0.5 M - Contingent labor (Resource Management)
4 Operations	+\$0.8 M - Interconnection revenue +\$0.4 M - External studies/consulting services +\$0.1 M - Project funded labor (Resource Management) +\$0.1 M - Lower allocated employee health costs -\$0.5 M - Lower-than-budgeted vacancy (Resource Management) -\$0.2 M - Miscellaneous variances Timing Differences +\$1.0 M - External studies/consulting services +\$0.4 M - Minor capital purchases (Equipment Purchases) +\$0.3 M - Employee training and business travel +\$0.2 M - Black Start and Operator Training Seminar expenses	+\$1.2 M - Interconnection revenue +\$0.4 M - External studies/consulting services +\$0.1 M - Project funded labor (Resource Management) +\$0.1 M - Lower allocated employee health costs -\$1.0 M - Lower-than-budgeted vacancy (Resource Management) -\$0.2 M - Miscellaneous variances
5 Finance & Treasury	+\$4.2 M - Interest income +\$0.3 M - Insurance premiums +\$0.3 M - Interest expense +\$0.1 M - Property tax +\$0.1 M - Insurance claim +\$0.1 M - Contingent labor (Resource Management) +\$0.1 M - Maintenance and repair +\$0.1 M - Custodial services +\$0.1 M - Electricity -\$0.2 M - Lower-than-budgeted vacancy (Resource Management) -\$0.1 M - Project funded labor (Resource Management)	+\$9.1 M - Interest income +\$0.5 M - Insurance premiums +\$0.4 M - Interest expense +\$0.2 M - Property tax +\$0.1 M - Insurance claim +\$0.1 M - Contingent labor (Resource Management) +\$0.1 M - Maintenance and repair +\$0.1 M - Custodial services +\$0.1 M - Electricity -\$0.1 M - Lower-than-budgeted vacancy (Resource Management) -\$0.1 M - Project funded labor (Resource Management)
6 External Affairs & Corporate Communications	+\$0.1 M - Higher-than-budgeted vacancy (Resource Management) Timing Differences +\$0.1 M - External studies/consulting services +\$0.1 M - Employee training and business travel	+\$0.2 M - Higher-than-budgeted vacancy (Resource Management)
7 Human Resources	+\$0.1 M - Employee recruiting Timing Differences +\$0.1 M - Employee reward & recognition program +\$0.1 M - Internship program +\$0.1 M - External studies/consulting services	+\$0.1 M - Employee recruiting +\$0.1 M - New hire relocation -\$0.1 M - Lower-than-budgeted vacancy (Resource Management)
8 General Counsel	-\$0.2 M - Lower-than-budgeted vacancy (Resource Management) +\$0.1 M - Board of Directors recruiting Timing Differences +\$0.2 M - Outside legal services +\$0.1 M - Board of Directors expense +\$0.1 M - Data service subscriptions	-\$0.3 M - Lower-than-budgeted vacancy (Resource Management) +\$0.1 M - Board of Directors recruiting
9 Corporate Administration	Timing Differences +\$0.1 M - Miscellaneous variances	No material variance
13 Project Expenditures	-\$5.9 M - Multiple projects	-\$11.3 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 June 30, 2018		Year End (YE) As of July 25, 2018		Life to Date As of June 30, 2018		Estimate at Completion (EAC) As of July 25, 2018				
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance	
1	Projects with EAC Budget Over \$2.5 M											
2	Data Center 4.0 Optimization (DC4) Program	\$ 5.2	56%	\$ 9.3	23%	\$ 40.8	87%	\$ 46.8	42%	\$ 48.0	\$ 1.2	
3	Training Facility	3.2	32%	10.0	25%	4.1	37%	11.0	10%	11.0	0.0	
4	Identity and Access Management	1.6	49%	3.4	8%	4.1	64%	6.3	6%	6.4	0.0	
5	IT Change and Configuration Management	1.8	61%	2.9	7%	4.2	76%	5.4	5%	5.3	(0.1)	
6	Enterprise Content Alignment Program (ECAP)	0.9	68%	1.3	3%	1.9	44%	4.3	4%	4.3	(0.0)	
7	2015 Credit Monitoring and Management (CMM) NPRRs	1.1	56%	1.9	5%	3.2	75%	4.2	4%	4.3	0.0	
8	Security Constrained Unit Commitment (SCUC)	0.0	3%	0.3	1%	0.0	0%	3.2	3%	3.2	0.0	
9	Congestion Revenue Rights (CRR) Framework Upgrade	0.3	44%	0.8	2%	2.4	84%	2.9	3%	2.9	0.0	
10	Privileged Account Management (PAM)	0.5	53%	1.0	2%	0.5	20%	2.6	2%	2.6	0.0	
11	Total Projects with EAC Budget Over \$2.5 M	14.6	47%	30.8	77%	61.1	70%	86.7	77%	87.9	1.2	
12												
13	Other Projects	5.6	62%	9.0	23%	12.4	48%	25.7	23%	27.4	1.7	
14												
15	Total Project Expenditures	\$ 20.2	51%	\$ 39.8	100%	\$ 73.6	65%	\$ 112.4	100%	\$ 115.3	\$ 2.9	

Note: Schedule may not foot due to rounding.

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

(Dollars in Thousands)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 767,939	\$ 391,959
Accounts receivable	3,904	2,812
Unbilled revenue	4,827	3,719
Restricted cash and cash equivalents	639,068	469,331
Prepaid expenses and other current assets	30,342	30,326
Total current assets	1,446,080	898,147
Property and equipment, net	105,609	103,926
Systems under development	30,438	27,127
Total assets	<u>\$ 1,582,127</u>	<u>\$ 1,029,200</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,727	\$ 2,599
Accrued liabilities	10,929	10,414
Deferred revenue	4,225	3,734
Market settlement liabilities	799,601	442,413
Security deposits	639,068	469,331
Notes payable, current portion	4,000	4,000
Total current liabilities	1,461,550	932,491
Long term liabilities:		
Notes payable, less current portion:		
Principal	53,000	57,000
Less unamortized debt issuance costs	194	206
Notes payable less current portion and unamortized debt issuance costs	52,806	56,794
Other long term liabilities	419	381
Total long term liabilities	53,225	57,175
Total liabilities	1,514,775	989,666
Net assets without donor restrictions	67,352	39,534
Total liabilities and net assets	<u>\$ 1,582,127</u>	<u>\$ 1,029,200</u>

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

	2018	2017
Operating revenues		
System administration fees	\$ 100,525	\$ 92,740
Reliability organization pass-through	8,164	7,172
Other services revenue	3,315	3,161
Total operating revenues	<u>112,004</u>	<u>103,073</u>
Operating expenses		
Salaries and related benefits	53,628	51,837
Facility and equipment costs	4,640	4,848
Outside services	6,747	5,454
Hardware and software maintenance and licensing	11,847	14,036
Reliability organization assessment	8,164	7,172
Depreciation	14,605	13,464
Other	3,440	3,398
Total operating expenses	<u>103,071</u>	<u>100,209</u>
Income from operations	8,933	2,864
Other income (expense)		
Interest income	4,733	890
Interest expense	(781)	(961)
Non-operating income	(66)	3
Change in net assets without donor restrictions	<u>12,819</u>	<u>2,796</u>
Net assets without donor restrictions, beginning of year	<u>54,533</u>	<u>36,738</u>
Net assets without donor restrictions, end of period	<u>\$ 67,352</u>	<u>\$ 39,534</u>

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

(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>
Operating activities:		
Change in net assets without donor restrictions	\$ 12,819	\$ 2,796
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	14,605	13,464
Amortization of debt issuance costs	7	9
Net loss on capital assets	85	-
Changes in operating assets and liabilities:		
Accounts receivable	853	1,588
Unbilled revenue	(425)	(556)
Prepaid expenses and other assets	(3,977)	(8,691)
Other long-term liabilities	31	6
Accounts payable	(890)	(40)
Accrued liabilities	1,010	(851)
Deferred revenue	(414)	(469)
Net cash provided by operating activities	<u>23,704</u>	<u>7,256</u>
Investing activities:		
Capital expenditures for property and equipment and systems under development	(19,801)	(19,930)
Proceeds from sale of property and equipment	-	-
Net cash (used in) investing activities	<u>(19,801)</u>	<u>(19,930)</u>
Financing activities:		
Repayment of notes payable	(2,000)	(2,000)
Payment of debt issuance costs	(4)	(2)
(Increase) in restricted cash	(83,060)	(82,146)
Increase in market settlement liabilities	265,039	99,544
Increase in security deposits	83,060	82,146
Net cash provided by financing activities	<u>263,035</u>	<u>97,542</u>
Net increase in cash and cash equivalents	266,938	84,868
Cash and cash equivalents, beginning of year	501,001	307,091
Cash and cash equivalents, end of period	<u>\$ 767,939</u>	<u>\$ 391,959</u>