



Item 7.1: Review 2019 Financial Summary

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Controller

Finance & Audit Committee Meeting

ERCOT Public
April 8, 2019

Review 2019 Financial Summary: 2019 Variance to Budget (\$ in Millions) *prior format*

Net Available Year-to-Date Actuals: \$4.8 M Favorable (*as of February 28, 2019*)

Total Revenues \$4.4 M [13.6%] Favorable including:

\$3.2 M over budget: interest income due to higher investment balance and rates

\$0.4 M over budget: system administration fees due to weather and stronger economy

\$0.8 M over budget: interconnection revenues

Total Expenditures \$0.4 M [1.2%] Favorable including:

\$1.1 M under budget: project expenditures

\$1.0 M over budget: resource management (\$-1.0 M staffing management; \$0.0 M project work)

Net Available Year-End Forecast: \$34.0 M Favorable (*as of March 28, 2019*)

Total Revenues \$27.0 M [12.7%] Favorable including:

\$18.7 M over budget: interest income due to higher investment balance and rates

\$6.1 M over budget: system administration fees based on current actuals and load forecast for remainder of year

\$1.8 M over budget: interconnection revenues

Total Expenditures \$7.0 M [3.5%] Favorable including:

\$8.1 M under budget: project expenditures

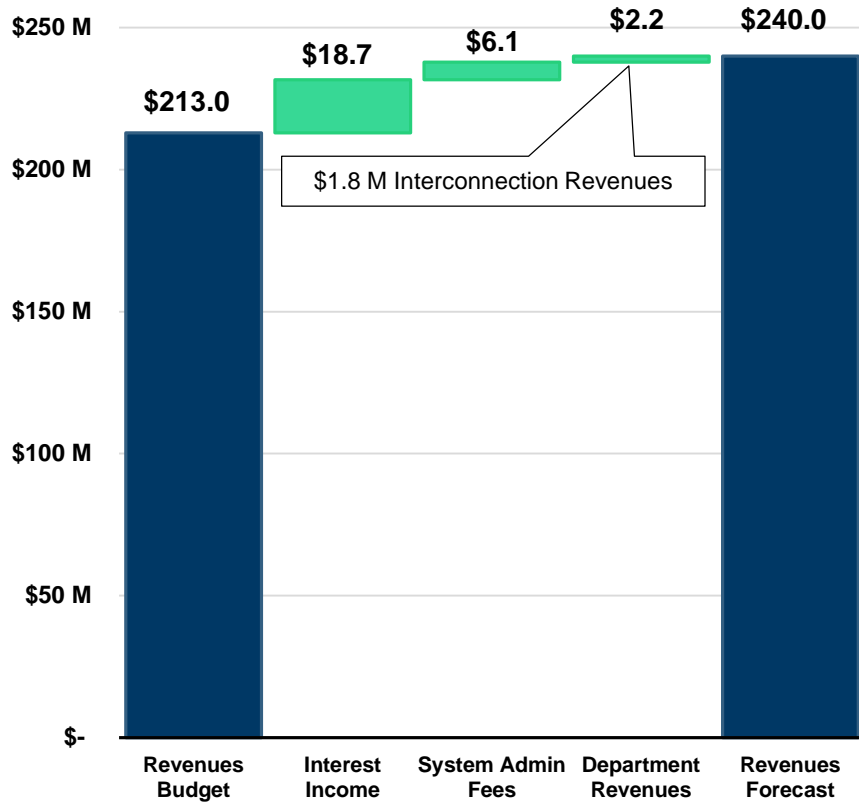
\$1.5 M over budget: resource management (\$-2.4 M staffing management; \$0.9 M project work)



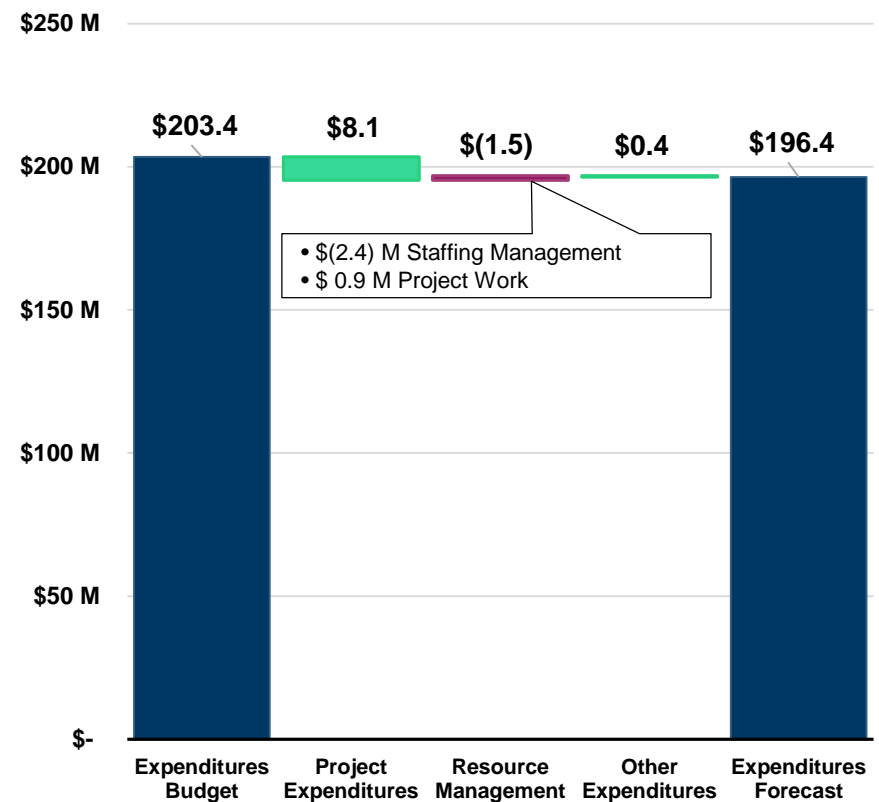
Review 2019 Financial Summary: 2019 Variance to Budget (\$ in Millions) *revised format*

Net Available Year-End Forecast Variance to Budget = \$34.0 M

Revenues Year-End Forecast
Variance to Budget = \$27.0 M [12.7%]



Expenditures Year-End Forecast
Variance to Budget = \$7.0 M [3.5%]



Charts may not foot due to rounding.



Review 2019 Financial Summary: Statements of Financial Position

As of February 28, 2019 and 2018 (\$ in Millions)

	<u>2019</u>	<u>2018</u>
Assets		
Unrestricted cash	\$ 804.2	\$ 630.5
Bond investments	100.4	-
Total unrestricted cash and bond investments	904.6	630.5
Restricted cash	441.3	569.9
Other current assets	36.8	36.7
Other long-term assets	141.9	132.9
Total assets	<u>\$ 1,524.6</u>	<u>\$ 1,370.0</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 480.4	\$ 360.2
CRR auction liabilities-long term	345.4	214.2
Other market liabilities	91.4	92.6
Total market settlement liabilities	917.2	667.0
Security deposits	441.3	569.9
Other current liabilities	23.3	22.0
Other long-term liabilities	51.1	55.2
Net assets without donor restrictions	91.7	55.9
Total liabilities and net assets	<u>\$ 1,524.6</u>	<u>\$ 1,370.0</u>



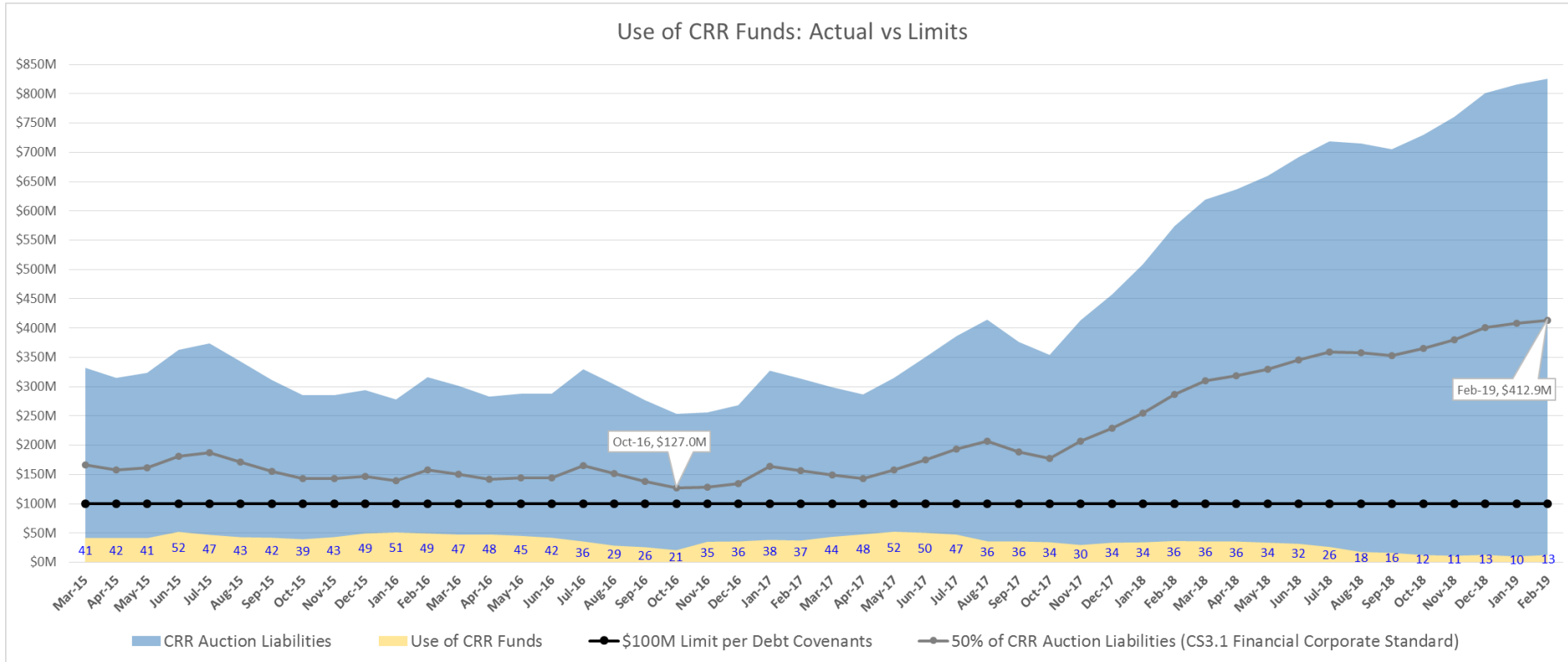
Review 2019 Financial Summary: Statements of Activities and Net Assets

For the Two Months Ended February 28, 2019 and 2018 (\$ in Millions)

	2019	2018
Operating revenues	\$ 36.2	\$ 35.8
Operating expenses	38.0	35.3
(Loss) income from operations	(1.8)	0.5
Other income (expense)	3.2	0.9
Change in net assets without donor restrictions	1.4	1.4
Net assets without donor restrictions, beginning of year	90.3	54.5
Net assets without donor restrictions, end of period	\$ 91.7	\$ 55.9



Review 2019 Financial Summary: Use of CRR Funds: Actual vs Limits



Appendices

Electric Reliability Council of Texas, Inc. 2019 Financial Summary As of March 28, 2019 (\$ in Millions)						Year to Date (February 28)					Year End (December 31)								
						2018		2019			2018		2019						
Line						Actual		Budget		Variance		Actual		Budget		Forecast		Variance	
										\$	%					\$	%	\$	%
1	System Administration Revenue					\$ 31.8	\$ 30.8	\$ 31.2	\$ 0.4	1.2	\$ 209.9	\$ 207.4	\$ 213.5	\$ 6.1	2.9				
2	Department Net Expenditures																		
3	Chief Information Office					11.4	12.5	12.9	(0.4)	(3.0)	72.4	72.4	72.8	(0.3)	(0.4)				
4	Chief Operating Office					9.0	9.8	9.3	0.5	5.6	54.5	59.8	58.5	1.2	2.1				
5	Chief Administrative Office					5.0	5.2	4.9	0.3	5.4	28.2	32.1	32.1	0.0	0.0				
6	External Affairs & Corporate Communications					1.1	1.2	1.1	0.1	4.8	6.0	6.9	6.7	0.2	3.4				
7	General Counsel					0.7	0.8	0.7	0.2	19.5	3.9	5.0	5.0	(0.0)	(0.4)				
8	Chief Executive Office					0.3	0.4	0.5	(0.1)	(32.3)	2.0	2.1	2.3	(0.2)	(9.8)				
9	Project Funded Labor					(1.5)	(1.6)	(1.3)	(0.3)	16.3	(10.6)	(9.8)	(9.8)	0.0	(0.0)				
10	Total Department Net Expenditures					26.2	28.2	28.1	0.1	0.3	156.6	168.5	167.6	0.9	0.6				
11	Net Revenues After Department Expenditures					5.7	2.7	3.2	0.4	13.8	53.3	38.9	45.9	7.0	18.1				
12																			
13	Less: Project Expenditures					6.6	4.8	3.7	1.1	23.3	40.3	28.5	20.4	8.1	28.4				
14	Less: Interest Expense					0.3	0.3	0.2	0.1	35.5	1.4	2.0	1.8	0.2	8.0				
15	Add: Interest Income					1.1	0.2	3.4	3.2	1,464.8	13.1	1.3	20.0	18.7	1,438.5				
16																			
17	Net Available					\$ (0.1)	\$ (2.2)	\$ 2.6	\$ 4.8	(218.2)	\$ 24.8	\$ 9.7	\$ 43.7	\$ 34.0	351.1				

Note: Schedule may not foot due to rounding

2019 Financial Summary Variance Explanations
As of March 28, 2019

Line	Year to Date (February 28)	Year End (December 31)
1 System Administration Fee Revenues	+\$0.3 M - Weather +\$0.1 M - Stronger economy	+\$6.1 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$0.5 M - Contingent labor (Resource Management-Staffing Management) -\$0.2 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management) -\$0.1 M - Higher allocated employee health costs +\$0.3 M - HW/SW vendor support services (Resource Management-Project Work) +\$0.1 M - Employee training and business travel	-\$0.8 M - Contingent labor (Resource Management-Staffing Management) -\$0.8 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management) -\$0.2 M - Higher allocated employee health costs +\$0.9 M - HW/SW vendor support services (Resource Management-Project Work) +\$0.3 M - Wide Area Network (WAN) revenues +\$0.2 M - Employee training and business travel +\$0.1 M - Minor capital purchases
4 Chief Operating Office	+\$0.8 M - Interconnection revenue -\$0.2 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management) -\$0.1 M - Higher allocated employee health costs -\$0.1 M - Software license perpetual <u>Timing Differences</u> -\$0.4 M - Minor capital purchases +\$0.4 M - Black start and operator training expenses +\$0.1 M - Employee training and business travel	+\$1.8 M - Interconnection revenue +\$0.1 M - Black start and operator training seminar revenues -\$0.4 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management) -\$0.2 M - Higher allocated employee health costs -\$0.1 M - Software license perpetual

2019 Financial Summary Variance Explanations
As of March 28, 2019

Line	Year to Date (February 28)	Year End (December 31)
5 Chief Administrative Office	+\$0.1 M - Facilities maintenance and repairs +\$0.1 M - Electricity <u>Timing Differences</u> +\$0.1 M - Insurance premiums	+\$0.1 M - Facilities maintenance and repairs +\$0.1 M - Electricity +\$0.1 M - Property tax -\$0.3 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management)
6 External Affairs & Corporate Communications	<u>Timing Differences</u> +\$0.1 M - External studies/consulting services	+\$0.2 M - Higher-than-budgeted vacancy (Resource Management-Staffing Management)
7 General Counsel	+\$0.1 M - Outside legal services <u>Timing Differences</u> +\$0.1 M - Outside legal services	+\$0.1 M - Outside legal services -\$0.1 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management)
8 Chief Executive Office	-\$0.1 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management)	-\$0.2 M - Lower-than-budgeted vacancy (Resource Management-Staffing Management)
9 Project Funded Labor	-\$0.3 M - Multiple projects (Resource Management-Project Work)	No material variance
12 Project Expenditures	+\$1.1 M - Multiple projects	+\$8.1 M - Primarily due to accelerated spend for Data Center 4.0 Optimization (DC4) and Training Facility in 2018
13 Interest Expense	+\$0.1 M - Use of revolver has not been necessary	+\$0.4 M - Use of revolver may not be necessary -\$0.2 M - Lower capitalized interest
14 Interest Income	+\$1.9 M - Higher investment balance +\$1.3 M - Higher interest rates	+\$11.9 M - Higher investment balance +\$6.8 M - Higher interest rates

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

Line	Project	Year to Date As of February 28, 2019		Year End (YE) As of March 28, 2019		Life to Date As of February 28, 2019		Estimate at Completion (EAC) As of March 28, 2019				
		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 \$2.0 M											
2	Data Center 4.0 Optimization (DC4) Program	\$ 0.1	6%	\$ 2.4	12%	\$ 42.8	95%	\$ 45.1	41%	\$ 48.0	\$ 2.9	
3	Training Facility	0.4	62%	0.7	3%	10.2	98%	10.5	9%	11.0	0.5	
4	Identity and Access Management (IAM)	0.4	24%	1.8	9%	6.2	82%	7.6	7%	7.7	0.0	
5	IT Change and Configuration Management (ITCM)	0.2	49%	0.5	2%	6.0	96%	6.2	6%	6.3	0.0	
6	Resource Asset Registration Form (RARF) Replacement	0.1	8%	0.9	5%	0.9	16%	5.9	5%	5.9	0.0	
7	2015 Credit Monitoring and Management (CMM) NPRRs	0.4	45%	0.8	4%	4.5	91%	4.9	4%	5.1	0.2	
8	Enterprise Content Alignment Program (ECAP)	0.1	10%	1.1	5%	2.6	53%	5.0	4%	5.0	0.0	
9	System Grid Geospatially (Grid Geo) Viewed Program	0.4	27%	1.6	8%	3.0	72%	4.2	4%	4.0	(0.2)	
10	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.0	0%	0.6	3%	0.0	0%	2.8	2%	2.8	0.0	
11	Privileged Account Management (PAM)	0.0	1%	1.1	5%	0.9	33%	2.6	2%	2.6	0.0	
12	Retail Portfolio Refresh (RPR) Program	0.2	14%	1.3	6%	0.4	19%	2.2	2%	2.2	0.0	
13	Total Projects with EAC Budget Over \$2.0 M	2.4	19%	12.8	63%	77.7	80%	97.0	87%	100.5	3.5	
14	Other Projects	1.4	18%	7.6	37%	10.4	75%	13.9	13%	14.2	0.3	
15	Total Project Expenditures	\$ 3.7	18%	\$ 20.4	100%	\$ 88.1	79%	\$ 111.0	100%	\$ 114.7	\$ 3.8	

Note: Schedule may not foot due to rounding.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of February 28, 2019 and 2018**

(Dollars in Thousands)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 804,188	\$ 630,544
Accounts receivable	3,501	3,829
Unbilled revenue	3,040	2,818
Restricted cash and cash equivalents	441,267	569,910
Short-term investments	100,181	-
Prepaid expenses and other current assets	30,546	29,992
Total current assets	1,382,723	1,237,093
Property and equipment, net	110,205	111,108
Systems under development	31,710	21,798
Total assets	\$ 1,524,638	\$ 1,369,999
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 6,919	\$ 6,339
Accrued liabilities	10,600	10,018
Deferred revenue	1,805	1,595
Market settlement liabilities	571,782	452,838
Security deposits	441,267	569,910
Notes payable, current portion	4,000	4,000
Total current liabilities	1,036,373	1,044,700
Long-term liabilities:		
Notes payable, less current portion:		
Principal	51,000	55,000
Less unamortized debt issuance costs	183	195
Notes payable less current portion and unamortized debt issuance costs	50,817	54,805
Long-term CRR liabilities	345,443	214,181
Other long-term liabilities	346	412
Total long-term liabilities	396,606	269,398
Total liabilities	1,432,979	1,314,098
Net assets without donor restrictions	91,659	55,901
Total liabilities and net assets	\$ 1,524,638	\$ 1,369,999

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Two Months Ended February 28, 2019 and 2018
(Dollars in Thousands)

	2019	2018
Operating revenues		
System administration fees	\$ 31,222	\$ 31,837
Reliability organization pass-through	3,158	2,721
Other services revenue	1,836	1,271
Total operating revenues	<u>36,216</u>	<u>35,829</u>
Operating expenses		
Salaries and related benefits	20,253	19,297
Facility and equipment costs	1,646	1,508
Outside services	2,677	1,925
Hardware and software maintenance and licensing	4,516	4,090
Reliability organization assessment	3,158	2,721
Depreciation	4,757	4,867
Other	1,040	885
Total operating expenses	<u>38,047</u>	<u>35,293</u>
(Loss) income from operations	(1,831)	536
Other income (expense)		
Investment return, net	3,390	1,136
Interest expense	(217)	(304)
Non-operating (expense) income	-	-
Change in net assets without donor restrictions	<u>1,342</u>	<u>1,368</u>
Net assets without donor restrictions, beginning of year	90,317	54,533
Net assets without donor restrictions, end of period	<u>\$ 91,659</u>	<u>\$ 55,901</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Cash Flows
For the Two Months Ended February 28, 2019 and 2018
(Dollars in Thousands)

	2019	2018
Operating activities:		
Change in net assets without donor restrictions	\$ 1,342	\$ 1,368
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	4,757	4,867
Amortization of debt issuance costs	3	2
Amortization of bond discount	(217)	-
Net loss (gains) on capital assets	-	-
Changes in operating assets and liabilities:		
Accounts receivable	2,370	928
Unbilled revenue	96	1,584
Prepaid expenses and other assets	(2,754)	(3,627)
Other long-term liabilities	(80)	24
Accounts payable	4,976	2,124
Accrued liabilities	(883)	321
Deferred revenue	(3,861)	(3,044)
Security deposits	(17,257)	13,902
Net cash (used in) provided by operating activities	<u>(11,508)</u>	<u>18,449</u>
Investing activities:		
Payment for purchase of bond	(18,855)	-
Proceeds from sale of bond	18,834	-
Capital expenditures for property and equipment and systems under development	(5,884)	(7,461)
Net cash (used in) investing activities	<u>(5,905)</u>	<u>(7,461)</u>
Financing activities:		
Increase in market settlement liabilities	12,998	132,457
Net cash provided by financing activities	<u>12,998</u>	<u>132,457</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(4,415)	143,445
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	1,249,870	1,057,009
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 1,245,455</u>	<u>\$ 1,200,454</u>