



Item 3: Review 2019 Financial Summary

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Controller

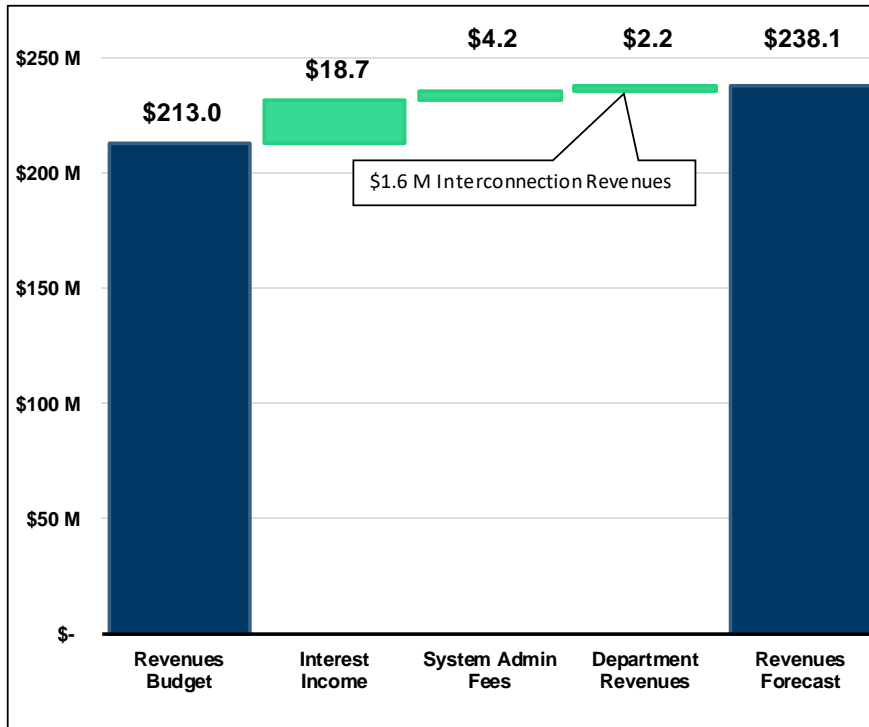
Finance & Audit Committee Meeting

ERCOT Public
June 10, 2019

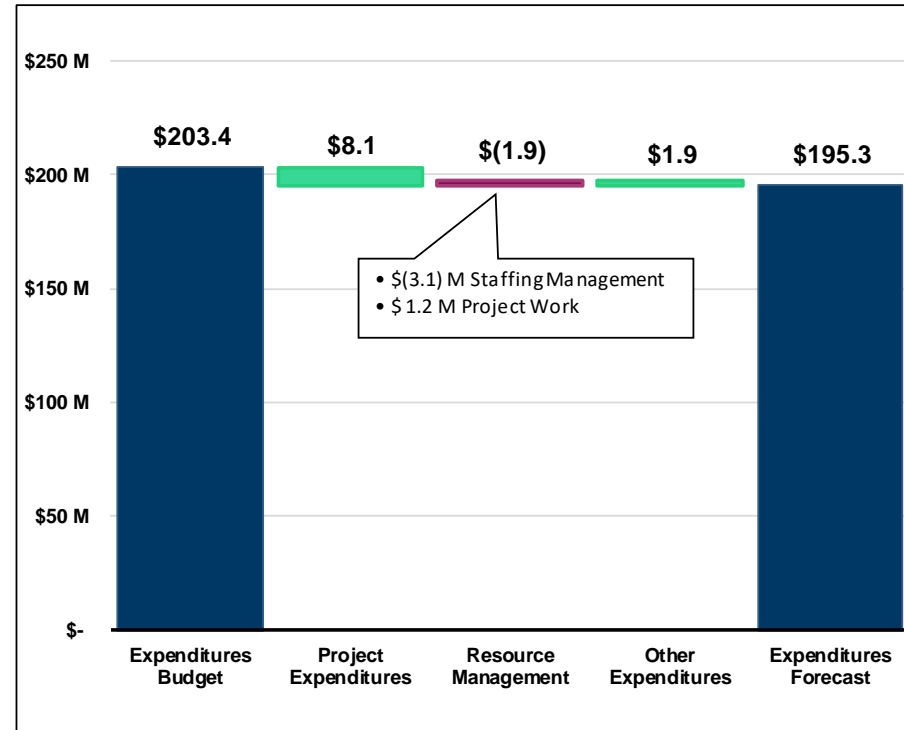
Review 2019 Financial Summary: 2019 Variance to Budget (\$ in Millions)

Net Available Year-End Forecast Variance to Budget = \$33.2 M

Revenues Year-End Forecast
Variance to Budget = \$25.1 M [11.8%]



Expenditures Year-End Forecast
Variance to Budget = \$8.1 M [4.0%]



Charts may not foot due to rounding.



Review 2019 Financial Summary: Statements of Financial Position

As of April 30, 2019 and 2018 (\$ in Millions)

	<u>2019</u>	<u>2018</u>
Assets		
Unrestricted cash	\$ 853.6	\$ 669.6
Bond investments	100.6	-
Total unrestricted cash and bond investments	954.2	669.6
Restricted cash	438.3	494.9
Other current assets	33.4	32.4
Other long-term assets	141.4	133.6
Total assets	<u>\$ 1,567.3</u>	<u>\$ 1,330.5</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 451.8	\$ 346.1
CRR auction liabilities-long term	415.0	289.9
Other market liabilities	98.3	69.2
Total market settlement liabilities	965.1	705.2
Security deposits	438.3	494.9
Other current liabilities	20.8	20.0
Other long-term liabilities	50.2	54.2
Net assets without donor restrictions	92.9	56.2
Total liabilities and net assets	<u>\$ 1,567.3</u>	<u>\$ 1,330.5</u>



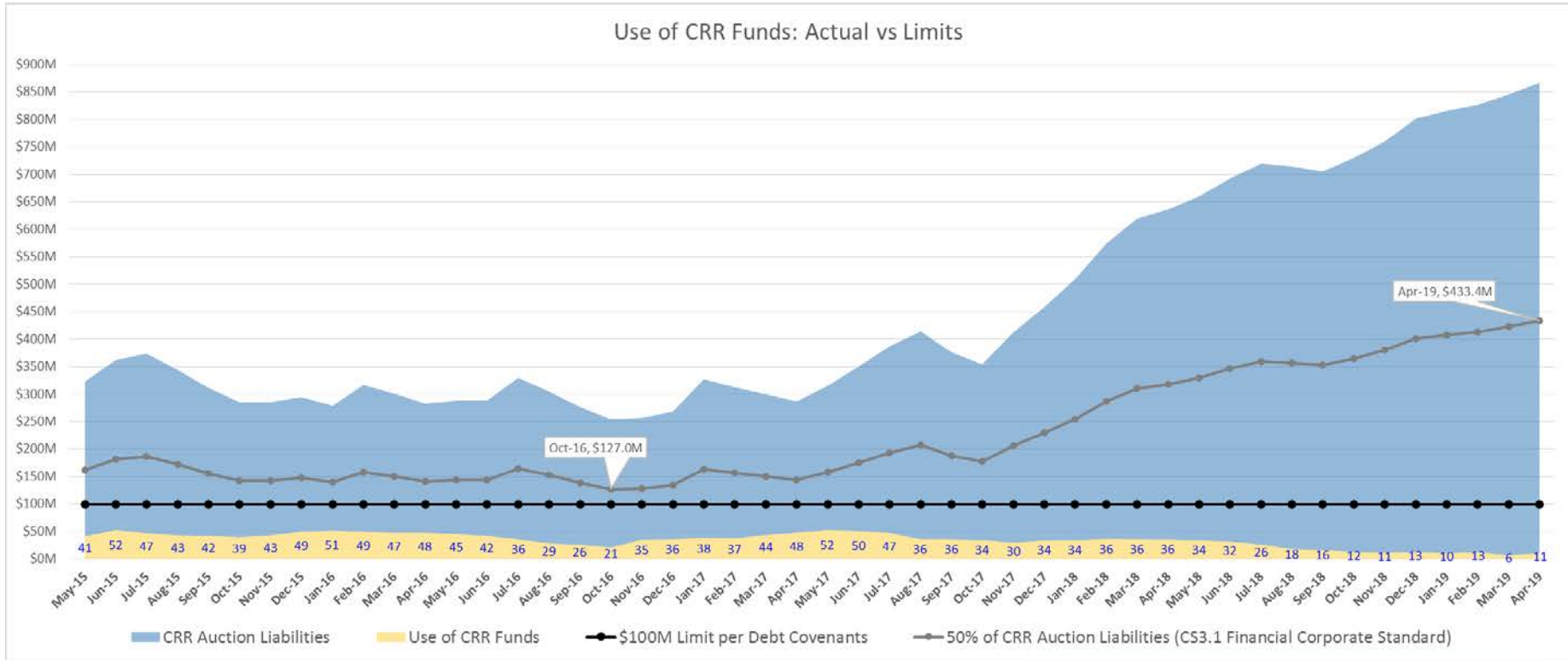
Review 2019 Financial Summary: Statements of Activities and Net Assets

For the Four Months Ended April 30, 2019 and 2018 (\$ in Millions)

	2019	2018
Operating revenues	\$ 70.9	\$ 68.5
Operating expenses	74.8	69.0
(Loss) income from operations	(3.9)	(0.5)
Other income (expense)	6.5	2.2
Change in net assets without donor restrictions	2.6	1.7
Net assets without donor restrictions, beginning of year	90.3	54.5
Net assets without donor restrictions, end of period	\$ 92.9	\$ 56.2



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



Appendices

Electric Reliability Council of Texas, Inc.
2019 Financial Summary
As of May 17, 2019
(\$ in Millions)

Line	Year to Date (April 30)					Year End (December 31)					
	2018	2019				2018	2019				
	Actual	Budget	Actual	Variance	%	Actual	Budget	Forecast	Variance	%	
	\$	\$	\$	\$	%	\$	\$	\$	\$	%	
1	System Administration Revenue	\$ 60.8	\$ 60.9	\$ 61.7	\$ 0.7	1.2	\$ 209.9	\$ 207.4	\$ 211.7	\$ 4.2	2.0
2	Department Net Expenditures										
3	Chief Information Office	22.4	24.7	25.5	(0.8)	(3.3)	72.4	72.5	72.6	(0.0)	(0.0)
4	Chief Operating Office	19.8	21.3	20.3	1.0	4.7	54.5	65.1	63.2	1.9	3.0
5	Chief Administrative Office	7.9	8.8	8.5	0.3	3.7	28.2	26.8	26.1	0.7	2.7
6	External Affairs & Corporate Communications	2.1	2.2	2.1	0.1	3.0	6.0	6.9	6.7	0.2	2.5
7	General Counsel	1.4	1.6	1.3	0.3	16.9	3.9	5.0	5.0	(0.0)	(0.8)
8	Chief Executive Office	0.6	0.7	0.8	(0.1)	(9.5)	2.0	2.1	2.3	(0.1)	(6.7)
9	Project Funded Labor	(3.3)	(3.3)	(2.6)	(0.7)	(21.2)	(10.6)	(9.8)	(9.2)	(0.6)	(6.3)
10	Total Department Net Expenditures	51.0	56.0	55.9	0.1	0.2	156.6	168.6	166.6	2.0	1.2
11	Net Revenues After Department Expenditures	9.8	4.9	5.7	0.8	17.0	53.3	38.8	45.0	6.3	16.2
12											
13	Less: Project Expenditures	12.2	9.5	8.0	1.5	15.7	40.3	28.5	20.4	8.1	28.4
14	Less: Interest Expense	0.6	0.7	0.5	0.2	26.2	1.4	2.0	1.8	0.2	8.8
15	Add: Interest Income	2.7	0.4	7.0	6.6	1,520.8	13.1	1.3	20.0	18.7	1,438.5
16											
17	Net Available	\$ (0.2)	\$ (4.8)	\$ 4.2	\$ 9.1	(187.5)	\$ 24.8	\$ 9.6	\$ 42.8	\$ 33.2	347.1

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc.
2019 Financial Summary Variance Explanations
As of May 17, 2019

Line	Year to Date (April 30)	Year End (December 31)
1 System Administration Revenue	+\$0.5 M - Weather +\$0.2 M - Stronger economy	+\$4.2 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$0.9 M - Contingent labor [Resource Management-Staffing Management] -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.4 M - HW/SW support and maintenance renewals +\$0.5 M - HW/SW vendor support services [Resource Management-Project Work] +\$0.2 M - Employee training and business travel +\$0.1 M - Wide Area Network (WAN) revenues +\$0.1 M - Building systems maintenance <u>Timing Differences</u> -\$0.2 M - Outside services -\$0.1 M - HW/SW support and maintenance renewals +\$0.1 M - Minor capital purchases	-\$1.9 M - Contingent labor [Resource Management-Staffing Management] -\$0.5 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.4 M - HW/SW support and maintenance renewals -\$0.2 M - Minor capital purchases +\$1.8 M - HW/SW vendor support services [Resource Management-Project Work] +\$0.4 M - Employee training and business travel +\$0.4 M - Wide Area Network (WAN) revenues +\$0.4 M - Building systems maintenance
4 Chief Operating Office	+\$1.0 M - Interconnection revenue +\$0.3 M - Electricity and building maintenance +\$0.2 M - Employee training and business travel +\$0.1 M - Black Start and Operator Training Seminar expense +\$0.1 M - Lower allocated employee health costs [Resource Management-Staffing Management] -\$0.4 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Software purchases <u>Timing Differences</u> +\$0.3 M - Black Start and Operator Training Seminar expense -\$0.3 M - Minor capital purchases -\$0.1 M - Black Start and Operator Training Seminar revenue	+\$1.6 M - Interconnection revenue +\$0.5 M - Electricity and building maintenance +\$0.2 M - Black Start and Operator Training Seminar revenue +\$0.2 M - Employee training and business travel +\$0.1 M - Black Start and Operator Training Seminar expense +\$0.1 M - Lower allocated employee health costs [Resource Management-Staffing Management] -\$0.5 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Software purchases

Electric Reliability Council of Texas, Inc.
2019 Financial Summary Variance Explanations
As of May 17, 2019

Line	Year to Date (April 30)	Year End (December 31)
5 Chief Administrative Office	+\$.1 M - Insurance premiums +\$.1 M - Property tax +\$.1 M - Employee training and business travel	+\$0.5 M - Insurance premiums +\$0.2 M - Property tax +\$0.1 M - Employee training and business travel +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Protocol services -\$0.1 M - Contingent labor [Resource Management-Staffing Management]
6 External Affairs & Corporate Communications	+\$0.1 M - Miscellaneous variances	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Miscellaneous variances
7 General Counsel	+\$0.1 M - Outside legal services -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] <u>Timing Differences</u> +\$0.2 M - Outside legal services +\$0.1 M - Miscellaneous variances	+\$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]	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
9 Project Funded Labor	-\$0.7 M - Multiple projects [Resource Management-Project Work]	-\$0.6 M - Multiple projects [Resource Management-Project Work]
13 Project Expenditures	+\$1.5 M - Multiple projects	+\$8.1 M - Primarily due to accelerated spend for Data Center 4.0 Optimization (DC4) and Training Facility in 2018
14 Interest Expense	+\$0.1 M - Use of revolver has not been necessary <u>Timing Differences</u> +\$0.1 M - Lower bank fees	+\$0.4 M - Use of revolver may not be necessary -\$0.2 M - Lower capitalized interest
15 Interest Income	+\$4.0 M - Higher investment balance +\$2.6 M - Higher interest rates	+\$11.7 M - Higher investment balance +\$7.0 M - Higher interest rates

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

Line	Project	Year to Date As of April 30, 2019		Year End (YE) As of May 17, 2019		Life to Date As of April 30, 2019		Estimate at Completion (EAC) As of May 17, 2019			
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
Projects with EAC Budget Over \$2.0 M											
1	Data Center 4.0 Optimization (DC4) Program	\$ 0.5	21%	\$ 2.5	12%	\$ 43.2	95%	\$ 45.2	37%	\$ 48.0	\$ 2.8
2	Training Facility	0.6	99%	0.6	3%	10.4	100%	10.4	9%	11.0	0.6
3	Identity and Access Management (IAM)	1.1	51%	2.1	10%	6.9	91%	7.6	6%	7.7	0.0
4	IT Change and Configuration Management (ITCM)	0.4	84%	0.5	2%	6.2	99%	6.2	5%	6.3	0.0
5	Resource Asset Registration Form (RARF) Replacement	0.4	15%	2.5	12%	1.3	21%	5.9	5%	5.9	0.0
6	2015 Credit Monitoring and Management (CMM) NPRRs	0.7	77%	0.9	4%	4.8	96%	5.0	4%	5.1	0.1
7	Enterprise Content Alignment Program (ECAP)	0.2	18%	1.2	6%	2.8	56%	5.0	4%	5.0	0.0
8	System Grid Geospatially (Grid Geo) Viewed Program	0.6	41%	1.6	8%	3.3	78%	4.2	3%	4.0	(0.2)
9	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.0	0%	1.4	7%	0.0	0%	2.8	2%	2.8	(0.0)
10	Privileged Account Management (PAM)	0.0	0%	1.0	5%	0.8	33%	2.6	2%	2.6	0.0
11	Retail Portfolio Refresh (RPR) Program	1.0	61%	1.7	8%	1.3	49%	2.6	2%	2.3	(0.3)
12	Total Projects with EAC Budget Over \$2.0 M	5.5	35%	15.9	78%	80.8	83%	97.5	80%	100.6	3.1
13	Other Projects	2.4	55%	4.5	22%	11.5	46%	24.8	20%	25.2	0.3
14	Total Project Expenditures	\$ 8.0	39%	\$ 20.4	100%	\$ 92.3	75%	\$ 122.4	100%	\$ 125.8	\$ 3.4

Note: Schedule may not foot due to rounding.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of April 30, 2019 and 2018**

(Dollars in Thousands)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 853,564	\$ 669,552
Accounts receivable	4,686	3,493
Unbilled revenue	3,174	2,852
Restricted cash and cash equivalents	438,293	494,915
Short-term investments	100,393	-
Prepaid expenses and other current assets	25,757	26,100
Total current assets	1,425,867	1,196,912
Long-term investments	-	-
Property and equipment, net	108,363	108,170
Systems under development	33,029	25,440
Total assets	<u>\$ 1,567,259</u>	<u>\$ 1,330,522</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,443	\$ 3,279
Accrued liabilities	10,996	9,853
Deferred revenue	3,341	2,910
Market settlement liabilities	550,110	415,256
Security deposits	438,293	494,915
Notes payable, current portion	4,000	4,000
Total current liabilities	1,009,183	930,213
Long-term liabilities:		
Notes payable, less current portion:		
Principal	50,000	54,000
Less unamortized debt issuance costs	181	195
Notes payable less current portion and unamortized debt issuance costs	49,819	53,805
Long-term CRR liabilities	415,036	289,926
Other long-term liabilities	350	415
Total long-term liabilities	465,205	344,146
Total liabilities	1,474,388	1,274,359
Net assets without donor restrictions	92,871	56,163
Total liabilities and net assets	<u>\$ 1,567,259</u>	<u>\$ 1,330,522</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Four Months Ended April 30, 2019 and 2018
(Dollars in Thousands)

	2019	2018
Operating revenues		
System administration fees	\$61,654	\$60,822
Reliability organization pass-through	6,316	5,443
Other services revenue	2,959	2,226
Total operating revenues	<u>70,929</u>	<u>68,491</u>
Operating expenses		
Salaries and related benefits	38,845	36,498
Facility and equipment costs	3,299	3,050
Outside services	5,656	4,348
Hardware and software maintenance and licensing	8,961	7,876
Reliability organization assessment	6,316	5,443
Depreciation	9,590	9,723
Amortization of regulatory asset	-	-
Other	2,240	2,111
Total operating expenses	<u>74,907</u>	<u>69,049</u>
(Loss) from operations	(3,978)	(558)
Other income (expense)		
Investment return, net	7,023	2,748
Interest expense	(491)	(560)
Non-operating (expense) income	-	-
Change in net assets without donor restrictions	<u>2,554</u>	<u>1,630</u>
Net assets without donor restrictions, beginning of year	<u>90,317</u>	<u>54,533</u>
Net assets without donor restrictions, end of period	<u>\$92,871</u>	<u>\$56,163</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Cash Flows
For the Four Months Ended April 30, 2019 and 2018
(Dollars in Thousands)

	2019	2018
Operating activities:		
Change in net assets without donor restrictions	\$ 2,554	\$ 1,630
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	9,590	9,723
Amortization of debt issuance costs	5	5
Amortization of bond discount	(429)	-
Net loss (gains) on capital assets	-	-
Changes in operating assets and liabilities:		
Accounts receivable	1,185	1,264
Unbilled revenue	(38)	1,550
Prepaid expenses and other assets	2,035	265
Other long-term liabilities	(76)	27
Accounts payable	389	(1,629)
Accrued liabilities	(419)	262
Deferred revenue	(2,325)	(1,729)
Security deposits	(20,231)	(61,093)
Market settlement liabilities	(50,718)	(33,693)
Long-term CRR liabilities	111,637	204,313
Net cash provided by operating activities	<u>53,159</u>	<u>120,895</u>
Investing activities:		
Purchase of Investments	(18,855)	-
Proceeds from Investments	18,834	-
Capital expenditures for property and equipment and systems under development	(10,151)	(12,434)
Proceeds from sale of property and equipment	-	-
Net cash (used in) investing activities	<u>(10,172)</u>	<u>(12,434)</u>
Financing activities:		
Repayment of notes payable	(1,000)	(1,000)
Payment of debt issuance costs	-	(3)
Net cash (used in) financing activities	<u>(1,000)</u>	<u>(1,003)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	41,987	107,458
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>\$ 1,291,857</u>	<u>\$ 1,164,467</u>