



## **Item 6.1: Review 2019 Financial Summary**

*Sean Taylor*  
Controller

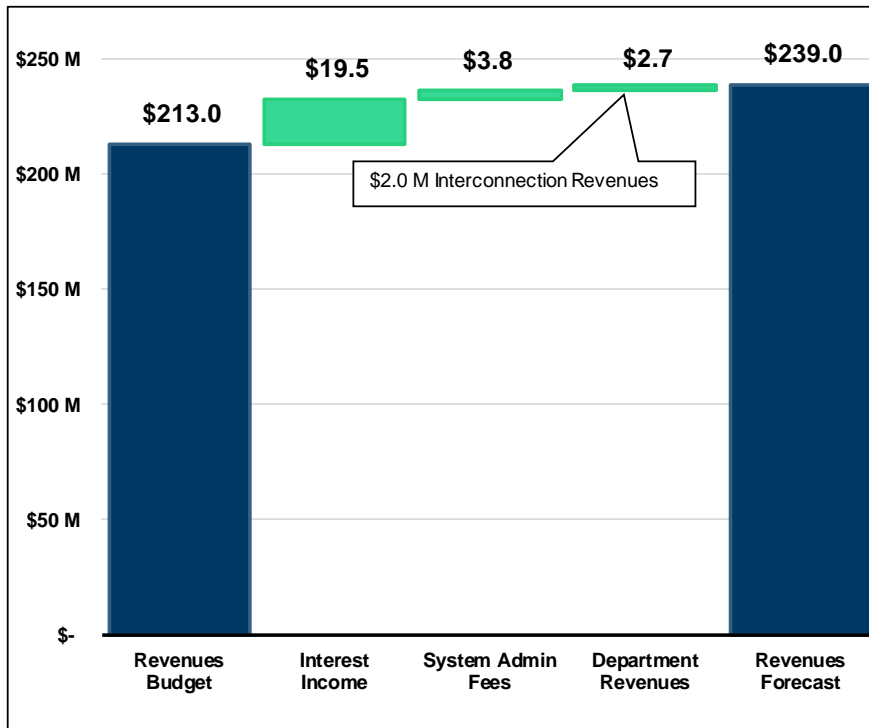
Finance & Audit Committee Meeting

ERCOT Public  
August 12, 2019

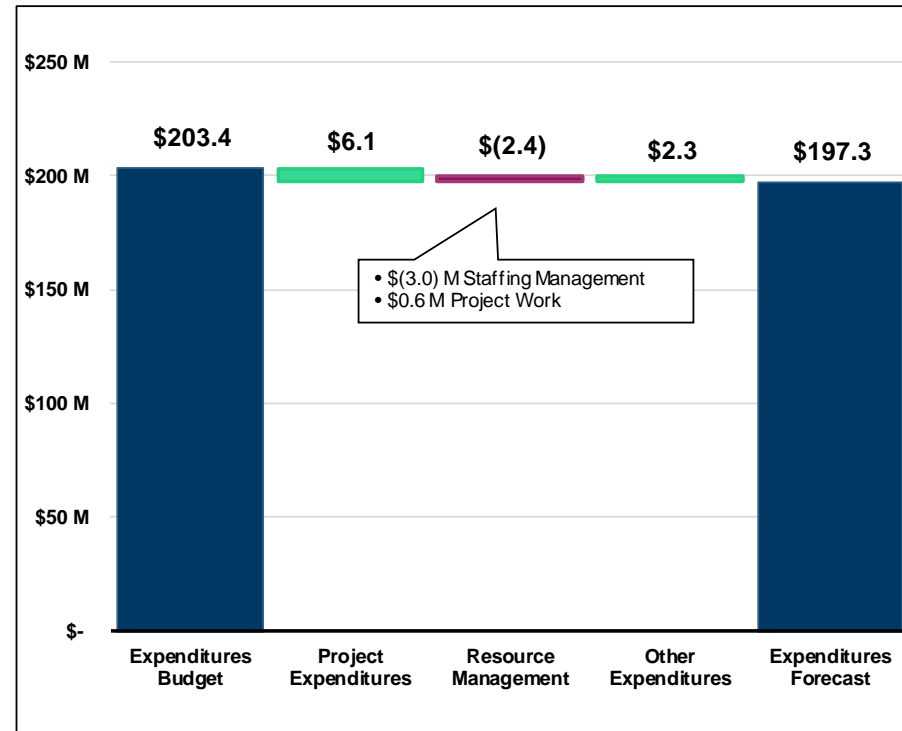
# Review 2019 Financial Summary: 2019 Variance to Budget (\$ in Millions)

**Net Available Year-End Forecast Variance to Budget = \$32.0 M**

Revenues Year-End Forecast  
Variance to Budget = \$26.0 M [12.2%]



Expenditures Year-End Forecast  
Variance to Budget = \$6.0 M [2.9%]



Charts may not foot due to rounding.



# Review 2019 Financial Summary: Statements of Financial Position

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

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Unrestricted cash	\$ 872.7	\$ 767.9
Bond investments	101.4	-
Total unrestricted cash and bond investments	974.1	767.9
Restricted cash	429.6	639.1
Other current assets	39.2	39.1
Other long-term assets	139.5	136.0
Total assets	<u>\$ 1,582.4</u>	<u>\$ 1,582.1</u>
<b>Liabilities and Net Assets</b>		
CRR auction liabilities-current	\$ 511.6	\$ 440.5
CRR auction liabilities-long term	373.5	251.1
Other market liabilities	95.2	108.0
Total market settlement liabilities	980.3	799.6
Security deposits	429.6	639.1
Other current liabilities	21.7	22.8
Other long-term liabilities	49.2	53.2
Net assets without donor restrictions	101.6	67.4
Total liabilities and net assets	<u>\$ 1,582.4</u>	<u>\$ 1,582.1</u>



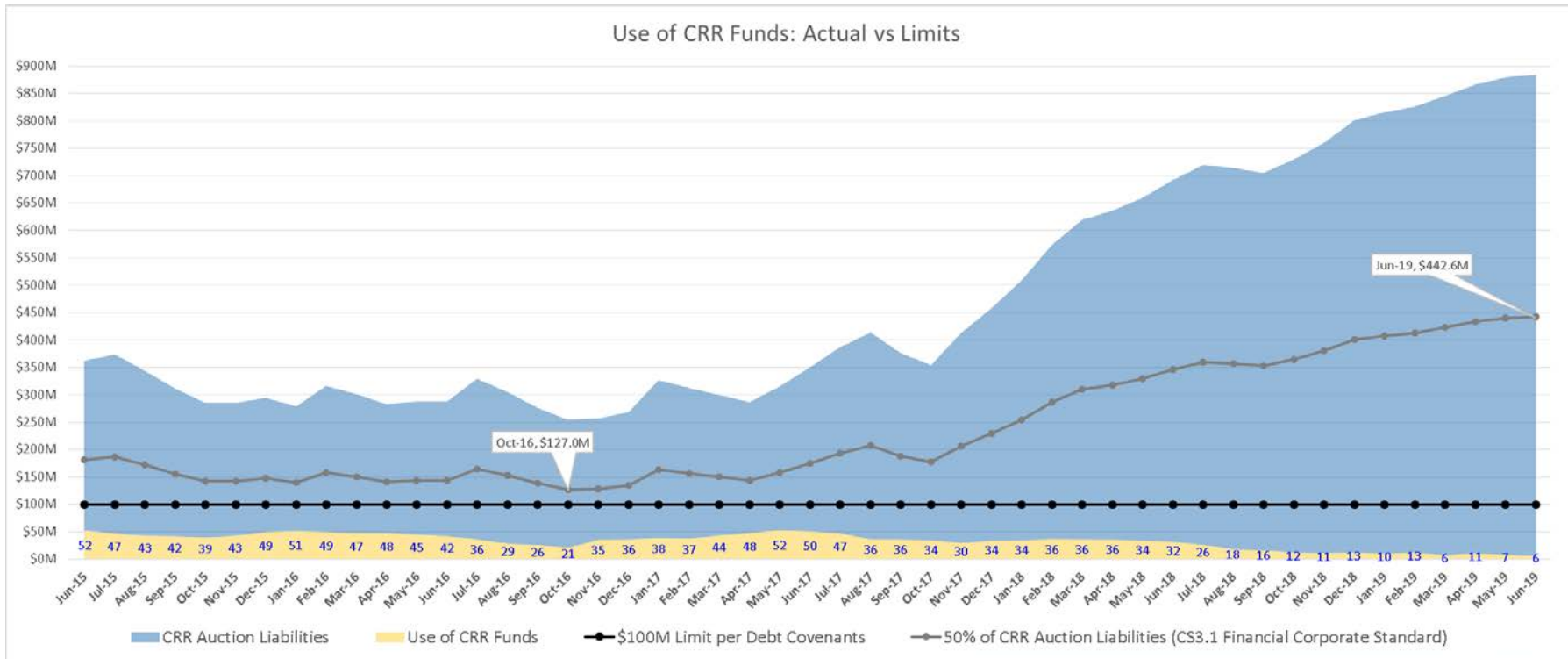
# Review 2019 Financial Summary: Statements of Activities and Net Assets

**For the Six Months Ended June 30, 2019 and 2018 (\$ in Millions)**

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 112.7	\$ 112.0
Operating expenses	111.4	103.1
(Loss) income from operations	1.3	8.9
Other income (expense)	10.0	4.0
Change in net assets without donor restrictions	11.3	12.9
Net assets without donor restrictions, beginning of year	90.3	54.5
Net assets without donor restrictions, end of period	\$ 101.6	\$ 67.4



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



# Appendices

**Electric Reliability Council of Texas, Inc.**  
**2019 Financial Summary**  
**As of July 29, 2019**  
(\$ in Millions)

Line	Year to Date (June 30)					Year End (December 31)				
	2018	2019			Variance	2018	2019			Variance
	Actual	Budget	Actual	\$		%	Actual	Budget	Forecast	
1	\$ 100.5	\$ 98.2	\$ 99.2	\$ 0.9	1.0	\$ 209.9	\$ 207.4	\$ 211.2	\$ 3.8	1.8
2	<b>Department Net Expenditures</b>									
3	33.7	36.8	37.2	(0.4)	(1.0)	72.4	72.5	72.2	0.3	0.4
4	30.0	32.5	30.4	2.1	6.6	54.5	65.1	62.9	2.2	3.4
5	11.6	13.4	12.8	0.6	4.4	28.2	26.8	26.2	0.6	2.3
6	3.1	3.3	3.2	0.1	3.1	6.0	6.9	6.7	0.2	2.9
7	2.1	2.4	2.0	0.4	18.1	3.9	5.0	4.7	0.2	4.8
8	0.9	1.1	1.1	(0.0)	(4.5)	2.0	2.1	2.2	(0.1)	(4.9)
9	(5.4)	(4.9)	(3.9)	(1.0)	(20.2)	(10.6)	(9.8)	(8.6)	(1.2)	(12.1)
10	<b>75.9</b>	<b>84.7</b>	<b>82.8</b>	<b>1.9</b>	<b>2.2</b>	<b>156.6</b>	<b>168.6</b>	<b>166.3</b>	<b>2.3</b>	<b>1.4</b>
11	<b>24.6</b>	<b>13.6</b>	<b>16.4</b>	<b>2.8</b>	<b>20.6</b>	<b>53.3</b>	<b>38.8</b>	<b>44.9</b>	<b>6.1</b>	<b>15.8</b>
12										
13	<b>20.2</b>	<b>14.3</b>	<b>11.6</b>	<b>2.7</b>	<b>18.6</b>	<b>40.3</b>	<b>28.5</b>	<b>22.4</b>	<b>6.1</b>	<b>21.4</b>
14	<b>0.8</b>	<b>1.0</b>	<b>0.8</b>	<b>0.2</b>	<b>20.0</b>	<b>1.4</b>	<b>2.0</b>	<b>1.7</b>	<b>0.3</b>	<b>16.6</b>
15	<b>4.7</b>	<b>0.7</b>	<b>10.8</b>	<b>10.1</b>	<b>1,556.4</b>	<b>13.1</b>	<b>1.3</b>	<b>20.8</b>	<b>19.5</b>	<b>1,500.0</b>
16										
17	<b>\$ 8.4</b>	<b>\$ (1.0)</b>	<b>\$ 14.8</b>	<b>\$ 15.8</b>	<b>1,564.2</b>	<b>\$ 24.8</b>	<b>\$ 9.6</b>	<b>\$ 41.6</b>	<b>\$ 32.0</b>	<b>334.5</b>

Note: Schedule may not foot due to rounding

**Electric Reliability Council of Texas, Inc.**  
**2019 Financial Summary Variance Explanations**  
**As of July 29, 2019**

<b>Line</b>	<b>Year to Date (June 30)</b>	<b>Year End (December 31)</b>
1 System Administration Revenue	+\$0.5 M - Stronger economy +\$0.4 M - Weather	+\$3.8 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	+\$0.9 M - HW/SW vendor support services [Resource Management-Project Work] +\$0.3 M - Employee training and business travel +\$0.2 M - Wide Area Network (WAN) revenue +\$0.2 M - Building systems maintenance -\$1.2 M - Contingent labor [Resource Management-Staffing Management] -\$0.5 M - HW/SW support and maintenance renewals -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]  <u>Timing Differences</u> -\$0.3 M - Outside services +\$0.2 M - Minor capital purchases	+\$1.8 M - HW/SW vendor support services [Resource Management-Project Work] +\$0.5 M - Employee training and business travel +\$0.4 M - Wide Area Network (WAN) revenue +\$0.4 M - Building systems maintenance -\$1.9 M - Contingent labor [Resource Management-Staffing Management] -\$0.6 M - HW/SW support and maintenance renewals -\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
4 Chief Operating Office	+\$1.5 M - Interconnection revenue +\$0.4 M - Electricity and building maintenance +\$0.2 M - Employee training and business travel +\$0.2 M - Black Start and Operator Training Seminar expense  -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - HW/SW purchases and maintenance -\$0.2 M - Contingent labor [Resource Management-Staffing Management]  <u>Timing Differences</u> +\$0.3 M - Minor capital purchases +\$0.1 M - Black Start and Operator Training Seminar expense +\$0.1 M - Equipment and maintenance +\$0.1 M - Employee training and business travel -\$0.1 M - Professional services/research -\$0.1 M - Black Start and Operator Training Seminar revenue	+\$2.0 M - Interconnection revenue +\$0.4 M - Electricity and building maintenance +\$0.2 M - Employee training and business travel +\$0.2 M - Black Start and Operator Training Seminar expense +\$0.1 M - Black Start and Operator Training Seminar revenue +\$0.1 M - Special project billing revenue -\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - HW/SW purchases and maintenance -\$0.2 M - Contingent labor [Resource Management-Staffing Management]



**Electric Reliability Council of Texas, Inc.**  
**2019 Financial Summary Variance Explanations**  
**As of July 29, 2019**

<b>Line</b>	<b>Year to Date (June 30)</b>	<b>Year End (December 31)</b>
5 Chief Administrative Office	+\$0.3 M - Insurance premiums +\$0.1 M - Property tax +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel -\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Protocol services  <u>Timing Differences</u> +\$0.1 M - Corporate events +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.5 M - Insurance premiums +\$0.2 M - Property tax +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel -\$0.2 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Protocol services
6 External Affairs & Corporate Communications	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel
7 General Counsel	+\$0.3 M - Outside legal services +\$0.1 M - Special project billing revenue -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]  <u>Timing Differences</u> +\$0.1 M - Outside legal services	+\$0.3 M - Outside legal services +\$0.1 M - Special project billing revenue -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
8 Chief Executive Office	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]  <u>Timing Differences</u> +\$0.1 M - Miscellaneous variances	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
9 Project Funded Labor	-\$1.0 M - Multiple projects [Resource Management-Project Work]	-\$1.2 M - Multiple projects [Resource Management-Project Work]
13 Project Expenditures	+\$2.7 M - Multiple projects	+\$6.1 M - Primarily due to accelerated spend for Data Center 4.0 Optimization (DC4) and Training Facility in 2018
14 Interest Expense	+\$0.2 M - Use of revolver has not been necessary	+\$0.4 M - Use of revolver may not be necessary -\$0.1 M - Lower capitalized interest
15 Interest Income	+\$10.1 M - Interest rate and average investment balance approximately six and three times higher than budget, respectively	+\$19.5 M - Interest rate and average investment balance approximately six and three times higher than budget, respectively

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

Line	Project	Year to Date As of June 30, 2019		Year End (YE) As of July 29, 2019		Life to Date As of June 30, 2019		Estimate at Completion (EAC) As of July 29, 2019			
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
<b>Projects with EAC Budget Over \$2.0 M</b>											
1	Data Center 4.0 Optimization (DC4) Program	\$ 1.2	53%	\$ 2.4	11%	\$ 43.9	97%	\$ 45.4	36%	\$ 48.0	\$ 2.6
2	Training Facility	0.6	98%	0.6	3%	10.4	100%	10.4	8%	11.0	0.6
3	Identity and Access Management (IAM)	1.5	67%	2.2	10%	7.3	90%	8.1	6%	7.7	(0.4)
4	IT Change and Configuration Management (ITCM)	0.5	95%	0.5	2%	6.2	100%	6.3	5%	6.3	(0.0)
5	System Grid Geospatially (Grid Geo) Viewed Program	1.0	45%	2.2	10%	3.6	59%	6.1	5%	6.0	(0.1)
6	Resource Asset Registration Form (RARF) Replacement	0.7	28%	2.7	12%	1.6	27%	5.9	5%	5.9	0.0
7	2015 Credit Monitoring and Management (CMM) NPRRs	1.0	95%	1.0	5%	5.1	99%	5.1	4%	5.1	(0.0)
8	Enterprise Content Alignment Program (ECAP)	0.4	33%	1.2	6%	2.9	59%	5.0	4%	5.0	(0.0)
9	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.1	10%	1.0	4%	0.1	4%	2.8	2%	2.8	0.0
10	Retail Portfolio Refresh (RPR) Program	1.2	71%	1.7	8%	1.5	56%	2.6	2%	2.7	0.0
11	Privileged Account Management (PAM)	0.0	0%	0.9	4%	0.8	33%	2.6	2%	2.6	0.0
12	<b>Total Projects with EAC Budget Over \$2.0 M</b>	<b>8.2</b>	<b>50%</b>	<b>16.4</b>	<b>73%</b>	<b>83.5</b>	<b>83%</b>	<b>100.3</b>	<b>79%</b>	<b>102.9</b>	<b>2.6</b>
13	<b>Other Projects</b>	<b>3.4</b>	<b>56%</b>	<b>6.0</b>	<b>27%</b>	<b>12.4</b>	<b>47%</b>	<b>26.6</b>	<b>21%</b>	<b>27.2</b>	<b>0.6</b>
14	<b>Total Project Expenditures</b>	<b>\$ 11.6</b>	<b>52%</b>	<b>\$ 22.4</b>	<b>100%</b>	<b>\$ 95.9</b>	<b>76%</b>	<b>\$ 126.9</b>	<b>100%</b>	<b>\$ 130.1</b>	<b>\$ 3.2</b>

Note: Schedule may not foot due to rounding.

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

(Dollars in Thousands)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 872,717	\$ 767,939
Accounts receivable	4,689	3,904
Unbilled revenue	5,019	4,827
Restricted cash and cash equivalents	429,624	639,068
Short-term investments	101,100	-
Prepaid expenses and other current assets	29,680	30,342
Total current assets	1,442,829	1,446,080
Long-term investments	-	-
Property and equipment, net	106,891	105,609
Systems under development	32,656	30,438
Total assets	<u>\$ 1,582,376</u>	<u>\$ 1,582,127</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 2,589	\$ 3,727
Accrued liabilities	10,202	10,929
Deferred revenue	4,875	4,225
Market settlement liabilities	606,761	548,497
Security deposits	429,624	639,068
Notes payable, current portion	4,000	4,000
Total current liabilities	1,058,051	1,210,446
Long-term liabilities:		
Notes payable, less current portion:		
Principal	49,000	53,000
Less unamortized debt issuance costs	178	194
Notes payable less current portion and unamortized debt issuance costs	48,822	52,806
Long-term CRR liabilities	373,513	251,104
Other long-term liabilities	354	419
Total long-term liabilities	422,689	304,329
Total liabilities	1,480,740	1,514,775
Net assets without donor restrictions	101,636	67,352
Total liabilities and net assets	<u>\$ 1,582,376</u>	<u>\$ 1,582,127</u>

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

	<b>2019</b>	<b>2018</b>
Operating revenues		
System administration fees	\$ 99,180	\$ 100,525
Reliability organization pass-through	9,474	8,164
Other services revenue	4,060	3,315
Total operating revenues	<u>112,714</u>	<u>112,004</u>
Operating expenses		
Salaries and related benefits	57,611	53,628
Facility and equipment costs	4,833	4,640
Outside services	8,448	6,747
Hardware and software maintenance and licensing	12,999	11,847
Reliability organization assessment	9,474	8,164
Depreciation	14,578	14,605
Amortization of regulatory asset	-	-
Other	3,420	3,440
Total operating expenses	<u>111,363</u>	<u>103,071</u>
Income from operations	1,351	8,933
Other income (expense)		
Investment return, net	10,767	4,733
Interest expense	(799)	(781)
Non-operating expense	-	(66)
Change in net assets without donor restrictions	<u>11,319</u>	<u>12,819</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>\$ 101,636</u>	<u>\$ 67,352</u>

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

	<b>2019</b>	<b>2018</b>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ 11,319	\$ 12,819
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	14,578	14,605
Amortization of debt issuance costs	8	7
Amortization of bond discount	(1,670)	-
Net loss on capital assets	-	85
Changes in operating assets and liabilities:		
Accounts receivable	1,182	853
Unbilled revenue	(1,883)	(425)
Prepaid expenses and other assets	(1,888)	(3,977)
Other long-term liabilities	(72)	31
Accounts payable	398	(890)
Accrued liabilities	(767)	1,010
Deferred revenue	(791)	(414)
Security deposits	(28,900)	83,060
Market settlement liabilities	5,933	99,548
Long-term CRR liabilities	70,114	165,491
Net cash provided by operating activities	<u>67,561</u>	<u>371,803</u>
<b>Investing activities:</b>		
Purchase of Investments	(28,834)	-
Proceeds from Investments	29,347	-
Capital expenditures for property and equipment and systems under development	(13,603)	(19,801)
Proceeds from sale of property and equipment	-	-
Net cash (used in) investing activities	<u>(13,090)</u>	<u>(19,801)</u>
<b>Financing activities:</b>		
Repayment of notes payable	(2,000)	(2,000)
Payment of debt issuance costs	-	(4)
Net cash (used in) financing activities	<u>(2,000)</u>	<u>(2,004)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	52,471	349,998
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>\$ 1,302,341</u>	<u>\$ 1,407,007</u>