



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

*Sean Taylor*  
Controller

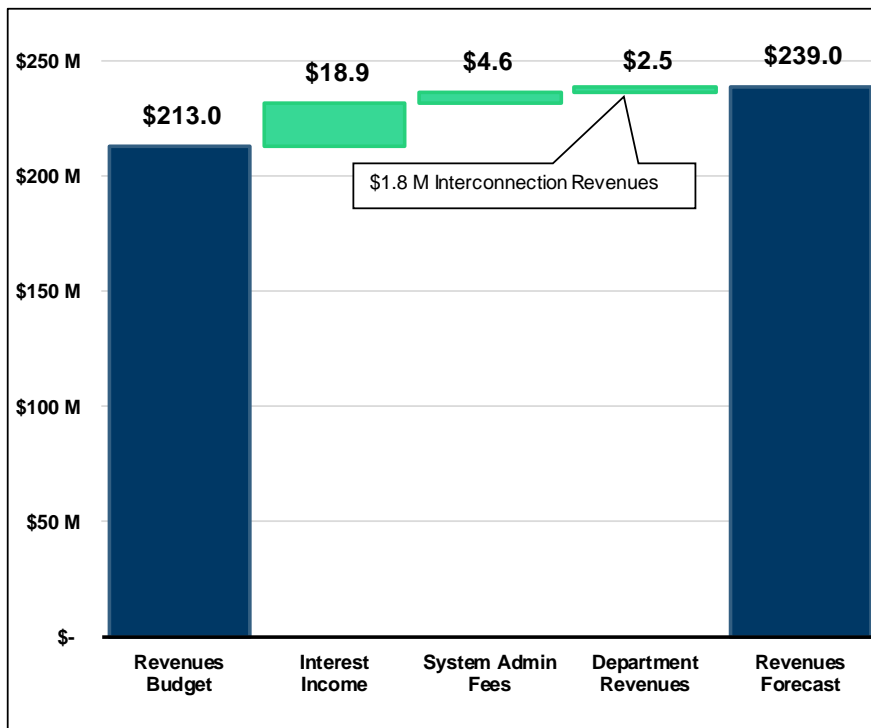
Finance & Audit Committee Meeting

ERCOT Public  
October 7, 2019

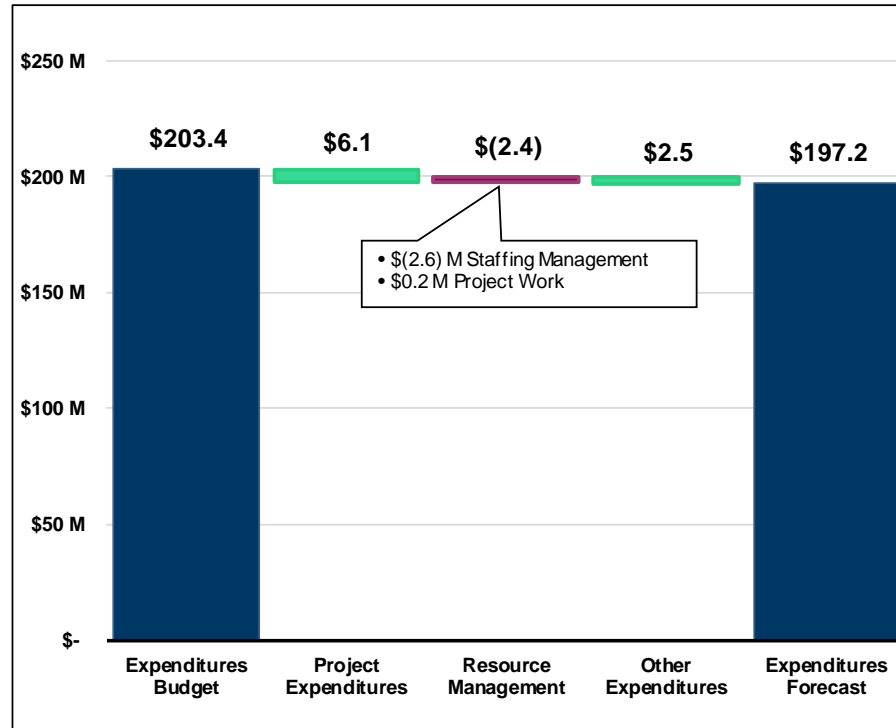
# Review 2019 Financial Summary: 2019 Variance to Budget (\$ in Millions)

**Net Available Year-End Forecast Variance to Budget = \$32.2 M**

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



Expenditures Year-End Forecast  
Variance to Budget = \$6.2 M [3.0%]



Charts may not foot due to rounding.

# Review 2019 Financial Summary: Statements of Financial Position

## As of August 31, 2019 and 2018 (\$ in Millions)

	2019	2018
<b>Assets</b>		
Unrestricted cash	\$ 963.5	\$ 803.9
Bond investments	101.9	-
Total unrestricted cash and bond investments	1,065.4	803.9
Restricted cash	833.4	613.9
Other current assets	46.5	45.0
Other long-term assets	137.2	138.4
Total assets	<u>\$ 2,082.5</u>	<u>\$ 1,601.2</u>
<b>Liabilities and Net Assets</b>		
CRR auction liabilities-current	\$ 474.8	\$ 429.8
CRR auction liabilities-long term	377.5	285.1
Other market liabilities	202.0	106.7
Total market settlement liabilities	1,054.3	821.6
Security deposits	833.4	613.9
Other current liabilities	27.8	28.1
Other long-term liabilities	49.2	53.2
Net assets without donor restrictions	117.8	84.4
Total liabilities and net assets	<u>\$ 2,082.5</u>	<u>\$ 1,601.2</u>



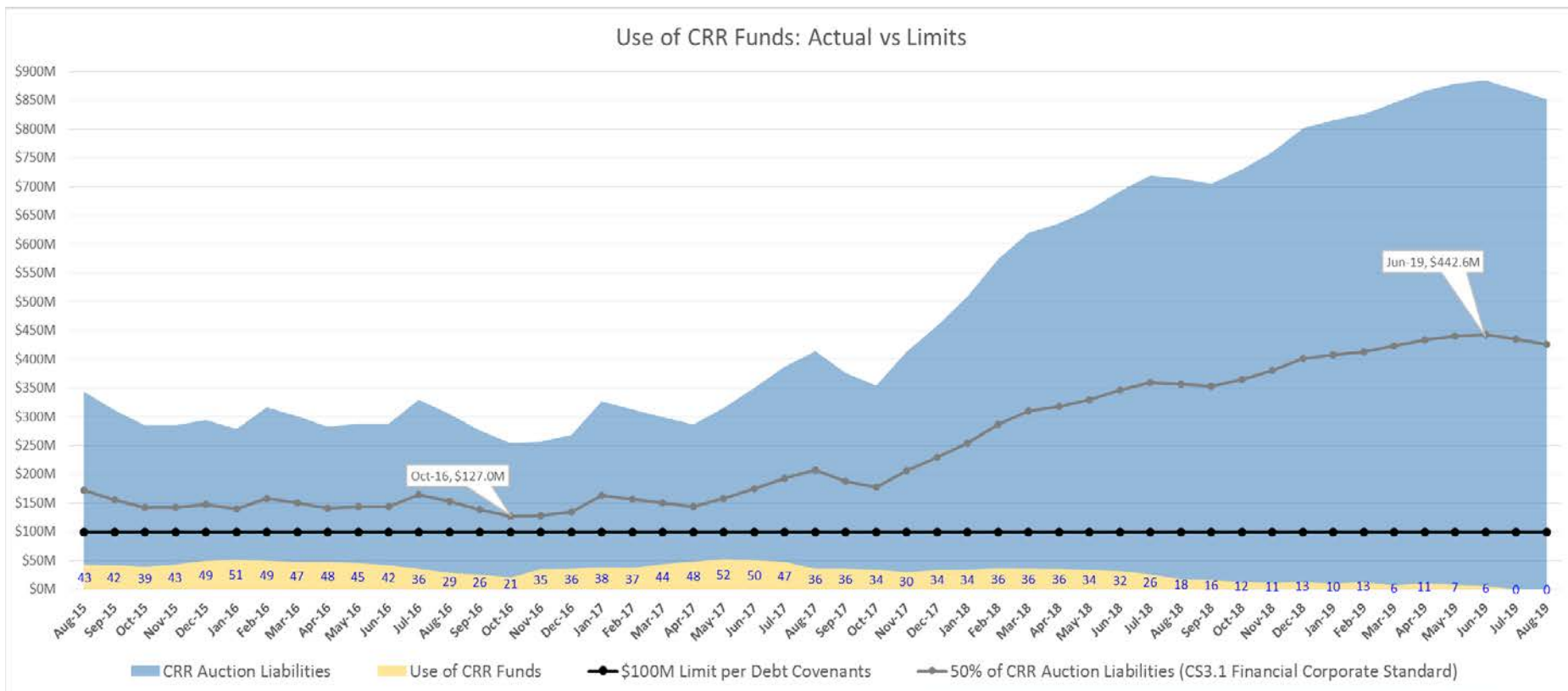
## Review 2019 Financial Summary: Statements of Activities and Net Assets

**For the Eight Months Ended August 31, 2019 and 2018 (\$ in Millions)**

	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 162.1	\$ 159.7
Operating expenses	148.0	136.0
(Loss) income from operations	14.1	23.7
Other income (expense)	13.4	6.2
Change in net assets without donor restrictions	27.5	29.9
Net assets without donor restrictions, beginning of year	90.3	54.5
Net assets without donor restrictions, end of period	<u>\$ 117.8</u>	<u>\$ 84.4</u>

# Review 2019 Financial Summary:

## Use of CRR Funds: Actual vs Limits



*As of August 31, 2019, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$11M.*



# Appendices

Electric Reliability Council of Texas, Inc. 2019 Financial Summary As of September 26, 2019 (\$ in Millions)											
		Year to Date (August 31)					Year End (December 31)				
		2018	2019				2018	2019			
				<u>Variance</u>					<u>Variance</u>		
Line		Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%
1	System Administration Revenue	\$ 144.5	\$ 141.6	\$ 144.4	\$ 2.7	1.9	\$ 209.9	\$ 207.4	\$ 212.0	\$ 4.6	2.2
2	Department Net Expenditures										
3	Chief Information Office	45.1	48.7	49.0	(0.3)	(0.6)	72.4	72.5	72.5	(0.0)	(0.0)
4	Chief Operating Office	39.1	43.1	40.4	2.7	6.2	54.5	65.2	62.9	2.3	3.5
5	Chief Administrative Office	15.8	18.0	17.1	0.9	5.2	28.2	26.8	25.6	1.2	4.5
6	External Affairs & Corporate Communications	4.0	4.7	4.3	0.4	9.3	6.0	6.9	6.4	0.5	7.5
7	General Counsel	2.8	3.3	2.9	0.4	11.8	3.9	5.0	4.8	0.2	3.8
8	Chief Executive Office	1.3	1.4	1.4	(0.0)	(1.5)	2.0	2.1	2.2	(0.1)	(2.8)
9	Project Funded Labor	(7.4)	(6.5)	(5.4)	(1.1)	(17.6)	(10.6)	(9.8)	(8.0)	(1.8)	(18.0)
10	Total Department Net Expenditures	100.7	112.6	109.7	2.9	2.6	156.6	168.6	166.3	2.3	1.4
11	Net Revenues After Department Expenditures	43.8	29.0	34.7	5.7	19.6	53.3	38.8	45.7	7.0	17.9
12											
13	Less: Project Expenditures	26.9	19.0	14.9	4.1	21.8	40.3	28.5	22.4	6.1	21.4
14	Less: Interest Expense	1.0	1.3	1.1	0.2	16.8	1.4	2.0	1.7	0.3	13.5
15	Add: Interest Income	7.2	0.9	14.5	13.6	1,568.8	13.1	1.3	20.2	18.9	1,450.6
16											
17	Net Available	\$ 23.2	\$ 9.5	\$ 33.2	\$ 23.6	248.3	\$ 24.8	\$ 9.6	\$ 41.8	\$ 32.2	335.9
Note: Schedule may not foot due to rounding											

**Electric Reliability Council of Texas, Inc.**  
**2019 Financial Summary Variance Explanations**  
**As of September 26, 2019**

Line	Year to Date (August 31)	Year End (December 31)
1 System Administration Revenue	+\$1.6 M - Stronger economy +\$1.1 M - Weather	+\$4.6 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	+\$1.4 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 -\$1.3 M - Contingent labor [Resource Management-Staffing Management] -\$0.8 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	+\$2.0 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] -\$1.0 M - HW/SW support and maintenance renewals -\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Minor capital purchases
4 Chief Operating Office	+\$1.8 M - Interconnection revenue +\$0.4 M - Electricity and building maintenance +\$0.3 M - Employee training and business travel +\$0.2 M - Black Start and Operator Training Seminar expense +\$0.1 M - Professional and consulting services +\$0.1 M - Special project billing revenue +\$0.1 M - Office rent +\$0.1 M - Equipment and maintenance +\$0.1 M - Lower allocated employee health costs  -\$0.4 M - HW/SW purchases and maintenance -\$0.3 M - Contingent labor [Resource Management-Staffing Management] -\$0.2 M - Data service and training subscriptions -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]  <u>Timing Differences</u> +\$0.2 M - Minor capital purchases +\$0.1 M - Black Start and Operator Training Seminar expense +\$0.1 M - Employee training and business travel +\$0.1 M - Electricity and building maintenance	+\$1.8 M - Interconnection revenue +\$0.4 M - Electricity and building maintenance +\$0.3 M - Employee training and business travel +\$0.2 M - Black Start and Operator Training Seminar expense +\$0.2 M - Professional and consulting services +\$0.1 M - Special project billing revenue +\$0.1 M - Office rent +\$0.1 M - Equipment and maintenance +\$0.1 M - Lower allocated employee health costs +\$0.1 M - Black Start and Operator Training Seminar revenue -\$0.4 M - HW/SW purchases and maintenance -\$0.3 M - Contingent labor [Resource Management-Staffing Management] -\$0.2 M - Data service and training subscriptions -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Minor capital purchases



**Electric Reliability Council of Texas, Inc.**  
**2019 Financial Summary Variance Explanations**  
**As of September 26, 2019**

Line	Year to Date (August 31)	Year End (December 31)
5 Chief Administrative Office	+\$0.4 M - Insurance premiums +\$0.2 M - Property tax +\$0.2 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel +\$0.1 M - Corporate events -\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Protocol services  <u>Timing Differences</u> +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.5 M - Insurance premiums +\$0.5 M - Property tax +\$0.2 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel +\$0.1 M - Corporate events -\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Protocol services
6 External Affairs & Corporate Communications	+\$0.2 M - Public service announcements +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel	+\$0.2 M - Public service announcements +\$0.2 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	No material variance	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
9 Project Funded Labor	-\$1.1 M - Multiple projects [Resource Management-Project Work]	-\$1.8 M - Multiple projects [Resource Management-Project Work]
13 Project Expenditures	+\$4.1 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	+\$13.6 M - Interest rate and average investment balance approximately six and three times higher than budget, respectively	+\$18.9 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 August 31, 2019		Year End (YE) As of September 26, 2019		Life to Date As of August 31, 2019		Estimate at Completion (EAC) As of September 26, 2019			
			% of YE Forecast	YE Forecast	% of All Included Projects		% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
		Actual				Actual					
Projects with EAC Budget Over \$2.0 M											
1	Data Center 4.0 Optimization (DC4) Program	\$ 1.9	65%	\$ 2.9	13%	\$ 44.5	98%	\$ 45.6	38%	\$ 48.0	\$ 2.4
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)	1.7	82%	2.1	9%	7.5	89%	8.5	7%	8.5	0.0
4	IT Change and Configuration Management (ITCM)	0.5	99%	0.5	2%	6.3	100%	6.3	5%	6.3	(0.0)
5	System Grid Geospatially (Grid Geo) Viewed Program	1.4	62%	2.2	10%	4.0	65%	6.1	5%	6.0	(0.2)
6	Resource Asset Registration Form (RARF) Replacement	1.2	47%	2.6	11%	2.1	36%	5.9	5%	5.9	0.0
7	2015 Credit Monitoring and Management (CMM) NPRRs	1.1	91%	1.2	6%	5.2	100%	5.2	4%	5.1	(0.1)
8	Enterprise Content Alignment Program (ECAP)	0.6	60%	1.0	5%	3.2	63%	5.0	4%	5.0	(0.0)
9	Retail Portfolio Refresh (RPR) Program	1.4	81%	1.7	8%	1.7	57%	2.9	2%	2.9	0.0
10	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.2	22%	0.9	4%	0.1	5%	2.7	2%	2.8	0.0
11	Privileged Account Management (PAM)	0.0	0%	0.3	2%	0.8	33%	2.6	2%	2.6	0.0
12	Total Projects with EAC Budget Over \$2.0 M	10.6	66%	16.1	72%	85.8	85%	101.3	85%	104.1	2.8
13	Other Projects	4.2	68%	6.3	28%	13.2	74%	17.8	15%	18.0	0.3
14	Total Project Expenditures	\$ 14.9	66%	\$ 22.4	100%	\$ 99.0	83%	\$ 119.1	100%	\$ 122.1	\$ 3.0
Note: Schedule may not foot due to rounding.											

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Financial Position****As of August 31, 2019 and 2018**

(Dollars in Thousands)

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 963,542	\$ 803,882
Accounts receivable	7,487	7,750
Unbilled revenue	4,878	4,128
Restricted cash and cash equivalents	833,444	613,917
Short-term investments	101,635	-
Prepaid expenses and other current assets	34,275	33,145
Total current assets	1,945,261	1,462,822
Long-term investments	-	-
Property and equipment, net	106,826	109,169
Systems under development	30,417	29,163
Total assets	<u>\$ 2,082,504</u>	<u>\$ 1,601,154</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 6,735	\$ 7,176
Accrued liabilities	10,610	11,289
Deferred revenue	6,411	5,538
Market settlement liabilities	676,863	536,550
Security deposits	833,444	613,917
Notes payable, current portion	4,000	4,000
Total current liabilities	1,538,063	1,178,470
Long-term liabilities:		
Notes payable, less current portion:		
Principal	49,000	53,000
Less unamortized debt issuance costs	176	191
Notes payable less current portion and unamortized debt issuance costs	48,824	52,809
Long-term CRR liabilities	377,456	285,100
Other long-term liabilities	353	418
Total long-term liabilities	426,633	338,327
Total liabilities	1,964,696	1,516,797
Net assets without donor restrictions	117,808	84,357
Total liabilities and net assets	<u>\$ 2,082,504</u>	<u>\$ 1,601,154</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Activities and Net Assets**  
**For the Eight Months Ended August 31, 2019 and 2018**  
(Dollars in Thousands)

	<b>2019</b>	<b>2018</b>
Operating revenues		
System administration fees	\$ 144,359	\$ 144,485
Reliability organization pass-through	12,632	10,885
Other services revenue	5,159	4,367
Total operating revenues	162,150	159,737
Operating expenses		
Salaries and related benefits	76,483	70,811
Facility and equipment costs	6,442	6,171
Outside services	11,114	9,278
Hardware and software maintenance and licensing	17,174	15,484
Reliability organization assessment	12,632	10,885
Depreciation	19,398	19,032
Amortization of regulatory asset	-	-
Other	4,769	4,426
Total operating expenses	148,012	136,087
Income from operations	14,138	23,650
Other income (expense)		
Investment return, net	14,463	7,227
Interest expense	(1,107)	(980)
Non-operating expense	(3)	(73)
Change in net assets without donor restrictions	27,491	29,824
Net assets without donor restrictions, beginning of year	90,317	54,533
Net assets without donor restrictions, end of period	\$ 117,808	\$ 84,357

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

**Statements of Cash Flows**

**For the Eight Months Ended August 31, 2019 and 2018**

(Dollars in Thousands)

	<b>2019</b>	<b>2018</b>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ 27,491	\$ 29,824
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	19,398	19,032
Amortization of debt issuance costs	10	10
Amortization of bond discount	(832)	-
Net loss on capital assets	3	92
Changes in operating assets and liabilities:		
Accounts receivable	(1,616)	(2,993)
Unbilled revenue	(1,742)	274
Prepaid expenses and other assets	(6,483)	(6,780)
Other long-term liabilities	(73)	30
Accounts payable	4,465	2,898
Accrued liabilities	320	1,348
Deferred revenue	745	899
Security deposits	374,920	57,909
Market settlement liabilities	76,035	87,600
Long-term CRR liabilities	74,057	199,488
Net cash provided by operating activities	<u>566,698</u>	<u>389,631</u>
<b>Investing activities:</b>		
Purchase of Investments	(89,453)	-
Proceeds from Investments	88,593	-
Capital expenditures for property and equipment and systems under development	(16,722)	(26,837)
Proceeds from sale of property and equipment	-	-
Net cash (used in) investing activities	<u>(17,582)</u>	<u>(26,837)</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	547,116	360,790
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>\$ 1,796,986</u>	<u>\$ 1,417,799</u>