



Item 7.1: Review 2019 Financial Summary

Sean Taylor

Vice President & Chief Financial Officer

Finance & Audit Committee Meeting

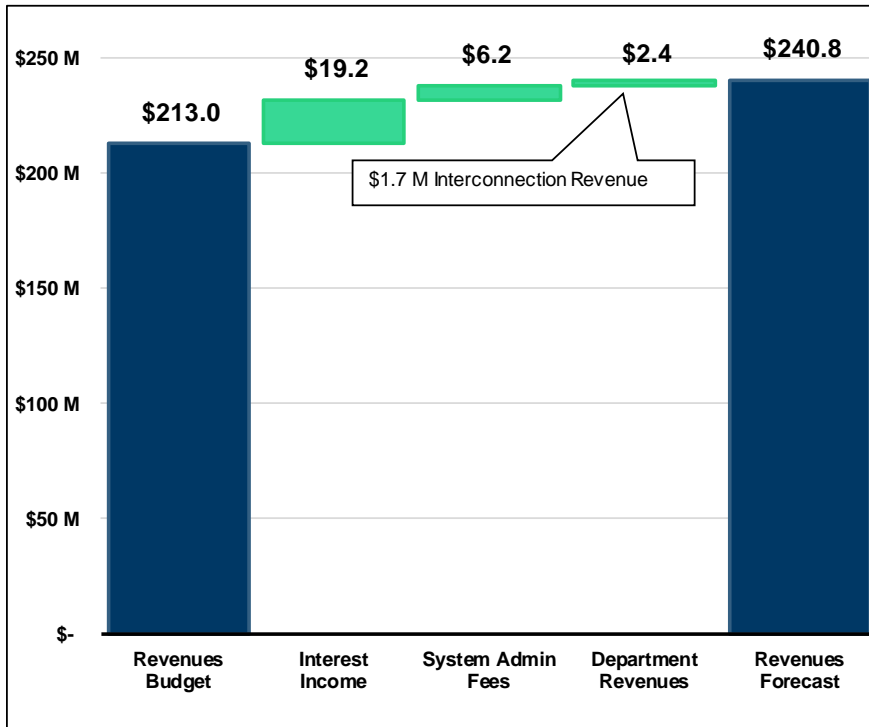
ERCOT Public

December 9, 2019

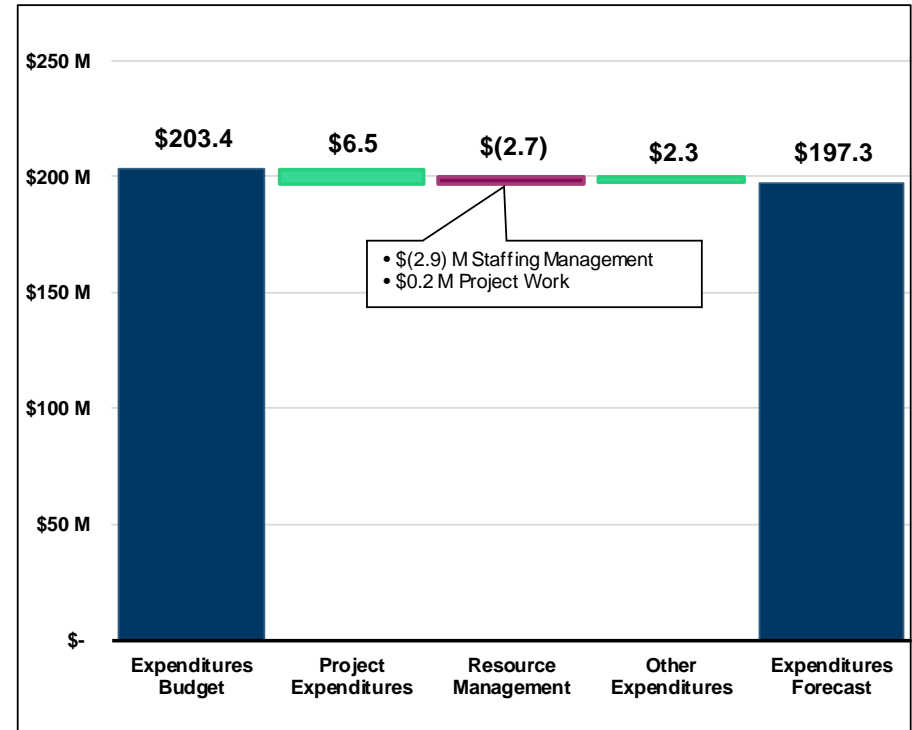
Review 2019 Financial Summary: 2019 Variance to Budget (\$ in Millions)

Net Available Year-End Forecast Variance to Budget = \$33.9 M

Revenues Year-End Forecast
Variance to Budget = \$27.8 M [13.1%]



Expenditures Year-End Forecast
Variance to Budget = \$6.1 M [3.0%]



Charts may not foot due to rounding.



Review 2019 Financial Summary: Statements of Financial Position

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

	<u>2019</u>	<u>2018</u>
Assets		
Unrestricted cash	\$ 913.0	\$ 717.5
Bond investments	102.3	100.1
Total unrestricted cash and bond investments	1,015.3	817.6
Restricted cash	554.7	463.5
Other current assets	34.9	35.1
Other long-term assets	135.5	140.5
Total assets	<u>\$ 1,740.4</u>	<u>\$ 1,456.7</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 446.0	\$ 390.6
CRR auction liabilities-long term	410.0	339.2
Other market liabilities	134.7	100.2
Total market settlement liabilities	990.7	830.0
Security deposits	554.7	463.5
Other current liabilities	21.3	22.0
Other long-term liabilities	48.2	52.2
Net assets without donor restrictions	125.5	89.0
Total liabilities and net assets	<u>\$ 1,740.4</u>	<u>\$ 1,456.7</u>



Review 2019 Financial Summary: Statements of Activities and Net Assets

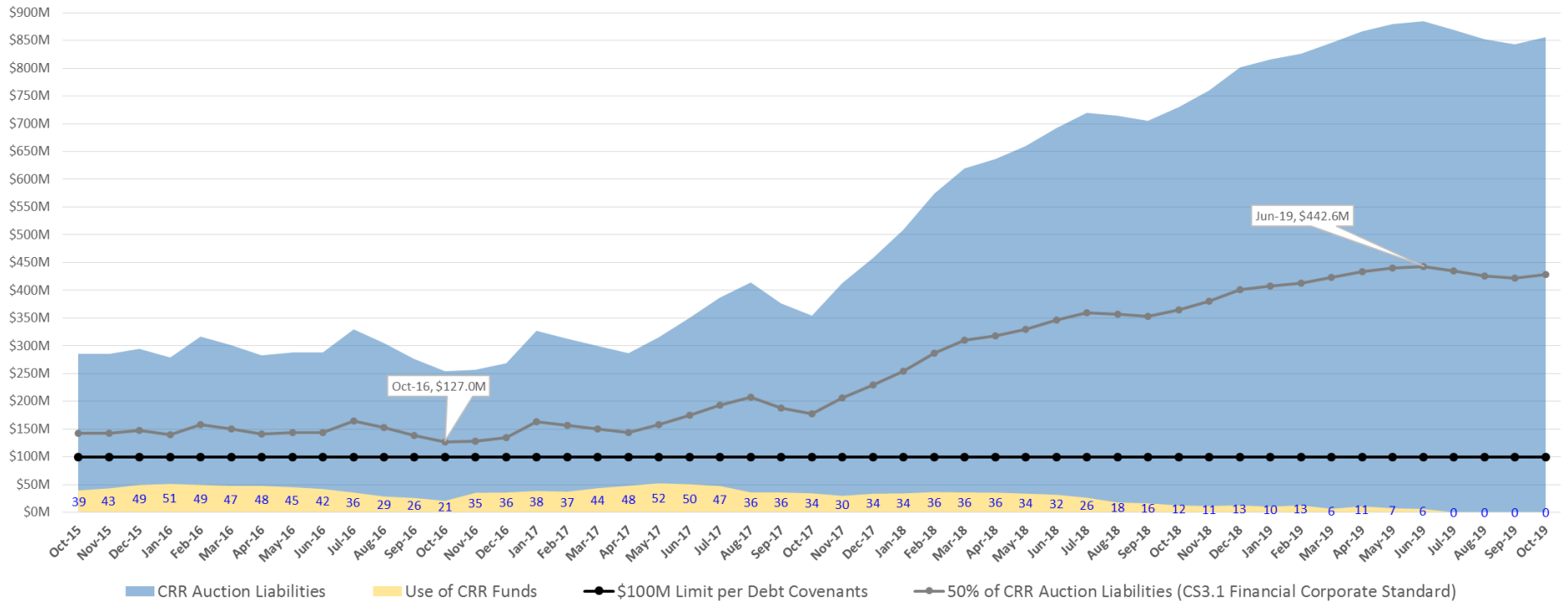
For the Ten Months Ended October 31, 2019 and 2018 (\$ in Millions)

	2019	2018
Operating revenues	\$ 204.2	\$ 197.6
Operating expenses	185.4	171.9
Income from operations	18.8	25.7
Other income	16.4	8.8
Change in net assets without donor restrictions	35.2	34.5
Net assets without donor restrictions, beginning of year	90.3	54.5
Net assets without donor restrictions, end of period	\$ 125.5	\$ 89.0



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

Use of CRR Funds: Actual vs Limits



As of October 31, 2019, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$25M.



Appendices

Electric Reliability Council of Texas, Inc.
2019 Financial Summary
As of November 20, 2019
(\$ in Millions)

Line	Year to Date (October 31)					Year End (December 31)					
	2018	2019			Variance	2018	2019				
	Actual	Budget	Actual	\$		%	Actual	Budget	Forecast	\$	%
1	System Administration Revenue	\$ 178.8	\$ 176.3	\$ 182.2	\$ 6.0	3.4	\$ 209.9	\$ 207.4	\$ 213.6	\$ 6.2	3.0
2	Department Net Expenditures										
3	Chief Information Office	58.5	60.6	61.9	(1.3)	(2.1)	72.4	72.5	73.8	(1.3)	(1.8)
4	Chief Administrative Office	32.2	35.9	33.6	2.3	6.4	38.6	42.9	40.9	2.0	4.6
5	Grid Planning & Operations	24.0	27.1	25.2	1.9	7.1	29.5	32.5	31.0	1.4	4.4
6	Commercial Operations	11.3	13.1	12.7	0.4	3.2	13.6	15.8	15.4	0.4	2.4
7	External Affairs & Corporate Communications	5.0	5.8	5.3	0.5	8.6	6.0	6.9	6.3	0.6	8.1
8	General Counsel	3.3	4.1	3.5	0.6	14.1	3.9	5.0	4.6	0.4	7.9
9	Chief Executive Office	2.4	2.6	2.6	0.0	1.4	3.0	3.0	3.0	0.0	0.2
10	Project Funded Labor	(9.2)	(8.2)	(6.7)	(1.5)	(17.9)	(10.6)	(9.8)	(8.0)	(1.8)	(18.3)
11	Total Department Net Expenditures	127.5	141.0	138.0	3.0	2.1	156.6	168.6	166.9	1.7	1.0
12	Net Revenues After Department Expenditures	51.4	35.3	44.2	9.0	25.4	53.3	38.8	46.7	7.9	20.4
13											
14	Less: Project Expenditures	34.3	23.8	17.8	5.9	25.0	40.3	28.5	22.0	6.5	22.8
15	Less: Interest Expense	1.2	1.7	1.4	0.3	15.5	1.4	2.0	1.7	0.3	13.3
16	Add: Interest Income	10.0	1.1	17.8	16.7	1,540.5	13.1	1.3	20.5	19.2	1,475.5
17											
18	Net Available	\$ 25.9	\$ 10.9	\$ 42.8	\$ 31.8	291.6	\$ 24.8	\$ 9.6	\$ 43.4	\$ 33.9	353.5

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc.
2019 Financial Summary Variance Explanations
As of November 20, 2019

Line	Year to Date (October 31)	Year End (December 31)
1 System Administration Revenue	+\$4.0 M - Weather +\$2.0 M - Stronger economy	+\$6.2 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	+\$1.7 M - HW/SW vendor support services [Resource Management-Project Work] +\$0.3 M - Employee training and business travel +\$0.3 M - Wide Area Network (WAN) revenue +\$0.2 M - Building systems maintenance -\$1.5 M - Contingent labor [Resource Management-Staffing Management] -\$1.3 M - HW/SW support and maintenance renewals -\$0.5 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - Minor capital purchases <u>Timing Differences</u> -\$0.3 M - Outside services	+\$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] -\$1.6 M - HW/SW support and maintenance renewals -\$0.6 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.5 M - Minor capital purchases
4 Chief Administrative Office	+\$0.6 M - Electricity and building maintenance +\$0.5 M - Insurance premiums +\$0.3 M - Property tax +\$0.4 M - Minor capital purchases +\$0.3 M - Professional and consulting services +\$0.2 M - Employee training and business travel +\$0.2 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Office rent +\$0.1 M - Equipment and maintenance -\$0.5 M - Hardware maintenance and software -\$0.2 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Protocol services <u>Timing Differences</u> +\$0.4 M - Minor capital purchases	+\$0.7 M - Electricity and building maintenance +\$0.5 M - Insurance premiums +\$0.5 M - Property tax +\$0.4 M - Minor capital purchases +\$0.4 M - Professional and consulting services +\$0.2 M - Employee training and business travel +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Office rent +\$0.1 M - Equipment and maintenance -\$0.7 M - Hardware maintenance and software -\$0.2 M - Contingent labor [Resource Management-Staffing Management] -\$0.1 M - Protocol services

Electric Reliability Council of Texas, Inc.
2019 Financial Summary Variance Explanations
As of November 20, 2019

Line	Year to Date (October 31)	Year End (December 31)
5 Grid Planning & Operations	+ \$2.0 M - Interconnection revenue + \$0.3 M - Employee training and business travel + \$0.3 M - Consulting services + \$0.2 M - Black Start and Operator Training Seminar expense + \$0.1 M - Special project billing revenue - \$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] - \$0.3 M - Contingent labor [Resource Management-Staffing Management] - \$0.3 M - Data service and training subscriptions - \$0.1 M - Minor capital purchases	+ \$1.7 M - Interconnection revenue + \$0.3 M - Employee training and business travel + \$0.3 M - Consulting services + \$0.2 M - Black Start and Operator Training Seminar expense + \$0.1 M - Special project billing revenue + \$0.1 M - Black Start and Operator Training Seminar revenue - \$0.4 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] - \$0.4 M - Contingent labor [Resource Management-Staffing Management] - \$0.4 M - Data service and training subscriptions - \$0.1 M - Minor capital purchases
6 Commercial Operations	+ \$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] + \$0.1 M - Employee training and business travel	+ \$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] + \$0.1 M - Employee training and business travel
7 External Affairs & Corporate Communications	+ \$0.2 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] + \$0.2 M - Public service announcements + \$0.1 M - Employee training and business travel	+ \$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] + \$0.2 M - Public service announcements + \$0.1 M - Employee training and business travel
8 General Counsel	+ \$0.3 M - Outside legal services + \$0.1 M - Special project billing revenue + \$0.1 M - Board member expense - \$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] <u>Timing Differences</u> + \$0.2 M - Outside legal services	+ \$0.3 M - Outside legal services + \$0.1 M - Special project billing revenue + \$0.1 M - Board member expense - \$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
9 Chief Executive Office	No material variance	No material variance
10 Project Funded Labor	- \$1.5 M - Multiple projects [Resource Management-Project Work]	- \$1.8 M - Multiple projects [Resource Management-Project Work]
14 Project Expenditures	+ \$5.9 M - Multiple projects	+ \$6.5 M - Primarily due to accelerated spend for Data Center 4.0 Optimization (DC4) and Training Facility in 2018
15 Interest Expense	+ \$0.4 M - Use of revolver has not been necessary - \$0.1 M - Lower capitalized interest	+ \$0.4 M - Use of revolver may not be necessary - \$0.1 M - Lower capitalized interest
16 Interest Income	+ \$16.7 M - Interest rate and average investment balance approximately six and three times higher than budget, respectively	+ \$19.2 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 October 31, 2019		Year End (YE) As of November 15, 2019		Life to Date As of October 31, 2019		Estimate at Completion (EAC) As of November 15, 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	\$ 2.4	93%	\$ 2.5	12%	\$ 45.0	99%	\$ 45.3	32%	\$ 48.0	\$ 2.7
2	Training Facility	0.6	100%	0.6	3%	10.4	100%	10.4	7%	11.0	0.6
3	Identity and Access Management (IAM)	1.9	94%	2.0	9%	7.7	90%	8.6	6%	8.5	(0.0)
4	2015 Credit Monitoring and Management (CMM) NPRRS	1.2	94%	1.3	6%	5.3	66%	8.1	6%	7.8	(0.3)
5	System Grid Geospatially (Grid Geo) Viewed Program	1.6	79%	2.0	9%	4.2	65%	6.5	5%	6.4	(0.1)
6	IT Change and Configuration Management (ITCM)	0.5	100%	0.5	2%	6.3	100%	6.3	4%	6.3	(0.0)
7	Resource Asset Registration Form (RARF) Replacement	1.6	73%	2.2	10%	2.5	43%	5.9	4%	5.9	0.0
8	Enterprise Content Alignment Program (ECAP)	0.8	82%	1.0	5%	3.3	65%	5.1	4%	5.0	(0.1)
9	Reactive Power Coordination (RPC)	0.0	13%	0.1	1%	0.0	0%	4.7	3%	4.6	(0.0)
10	Energy Management System (EMS) Upgrade 2024	0.0	0%	0.3	1%	0.0	0%	4.1	3%	4.1	0.0
11	Retail Portfolio Refresh (RPR) Program	1.6	88%	1.8	8%	1.8	63%	2.9	2%	2.9	0.0
12	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.3	46%	0.6	3%	0.3	10%	2.8	2%	2.8	0.0
13	Privileged Account Management (PAM)	0.0	100%	0.0	0%	0.8	33%	2.6	2%	2.6	0.0
14	Total Projects with EAC Budget Over \$2.0 M	12.5	83%	15.1	69%	87.8	78%	113.2	80%	115.9	2.7
15	Other Projects	5.3	76%	6.9	31%	14.2	50%	28.5	20%	28.8	0.3
16	Total Project Expenditures	\$ 17.8	81%	\$ 22.0	100%	\$ 102.1	72%	\$ 141.7	100%	\$ 144.8	\$ 3.0

Note: Schedule may not foot due to rounding.

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

(Dollars in Thousands)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 912,964	\$ 717,498
Accounts receivable	3,748	4,489
Unbilled revenue	3,105	2,958
Restricted cash and cash equivalents	554,675	463,456
Short-term investments	101,790	76,423
Prepaid expenses and other current assets	28,582	28,073
Total current assets	1,604,864	1,292,897
Long-term investments	-	23,332
Property and equipment, net	110,812	109,163
Systems under development	24,711	31,339
Total assets	<u>\$ 1,740,387</u>	<u>\$ 1,456,731</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,939	\$ 3,427
Accrued liabilities	11,016	11,682
Deferred revenue	3,374	2,928
Market settlement liabilities	580,713	490,770
Security deposits	554,675	463,456
Notes payable, current portion	4,000	4,000
Total current liabilities	1,156,717	976,263
Long-term liabilities:		
Notes payable, less current portion:		
Principal	48,000	52,000
Less unamortized debt issuance costs	173	189
Notes payable less current portion and unamortized debt issuance costs	47,827	51,811
Long-term CRR liabilities	409,964	339,255
Other long-term liabilities	356	422
Total long-term liabilities	458,147	391,488
Total liabilities	1,614,864	1,367,751
Net assets without donor restrictions	125,523	88,980
Total liabilities and net assets	<u>\$ 1,740,387</u>	<u>\$ 1,456,731</u>

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

	2019	2018
Operating revenues		
System administration fees	\$ 182,247	\$ 178,849
Reliability organization pass-through	15,789	13,607
Other services revenue	6,178	5,124
Total operating revenues	<u>204,214</u>	<u>197,580</u>
Operating expenses		
Salaries and related benefits	95,937	88,161
Facility and equipment costs	7,903	7,386
Outside services	13,684	11,870
Hardware and software maintenance and licensing	21,838	21,527
Reliability organization assessment	15,789	13,607
Depreciation	24,066	23,437
Other	6,156	5,914
Total operating expenses	<u>185,373</u>	<u>171,902</u>
Income from operations	18,841	25,678
Other income (expense)		
Investment return, net	17,772	9,930
Interest expense	(1,406)	(1,192)
Non-operating expense	(1)	31
Change in net assets without donor restrictions	<u>35,206</u>	<u>34,447</u>
Net assets without donor restrictions, beginning of year	90,317	54,533
Net assets without donor restrictions, end of period	<u>\$ 125,523</u>	<u>\$ 88,980</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Cash Flows
For the Ten Months Ended October 31, 2019 and 2018
(Dollars in Thousands)

	2019	2018
Operating activities:		
Change in net assets without donor restrictions	\$ 35,206	\$ 34,447
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	24,066	23,437
Amortization of debt issuance costs	13	12
Amortization of bond discount	(993)	(126)
Net loss (gain) on capital assets	3	(12)
Changes in operating assets and liabilities:		
Accounts receivable	2,123	268
Unbilled revenue	31	1,444
Prepaid expenses and other assets	(790)	(1,708)
Other long-term liabilities	(70)	34
Accounts payable	1,108	(683)
Accrued liabilities	(49)	1,589
Deferred revenue	(2,292)	(1,711)
Security deposits	96,151	(92,552)
Market settlement liabilities	(20,115)	41,821
Long-term CRR liabilities	106,565	253,642
Net cash provided by operating activities	<u>240,957</u>	<u>259,902</u>
Investing activities:		
Purchase of Investments	(148,631)	(106,237)
Proceeds from Investments	147,777	6,608
Capital expenditures for property and equipment and systems under development	(19,334)	(33,339)
Proceeds from sale of property and equipment	-	15
Net cash (used in) investing activities	<u>(20,188)</u>	<u>(132,953)</u>
Financing activities:		
Repayment of notes payable	(3,000)	(3,000)
Payment of debt issuance costs	-	(4)
Net cash (used in) financing activities	<u>(3,000)</u>	<u>(3,004)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	217,769	123,945
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>\$ 1,467,639</u>	<u>\$ 1,180,954</u>