



Item 7.1: April 2020 Financial Summary

Sean Taylor

Vice President & Chief Financial Officer

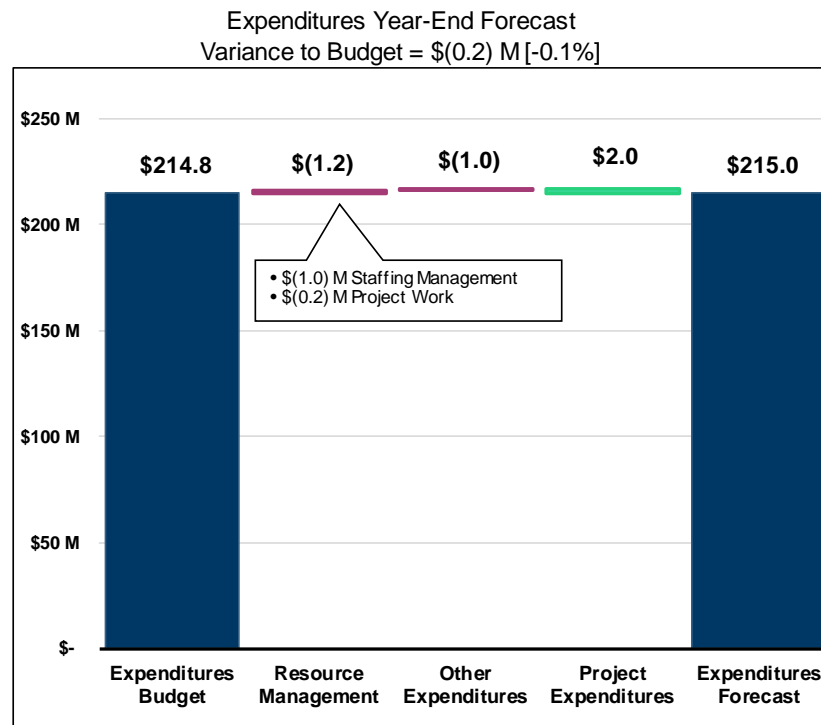
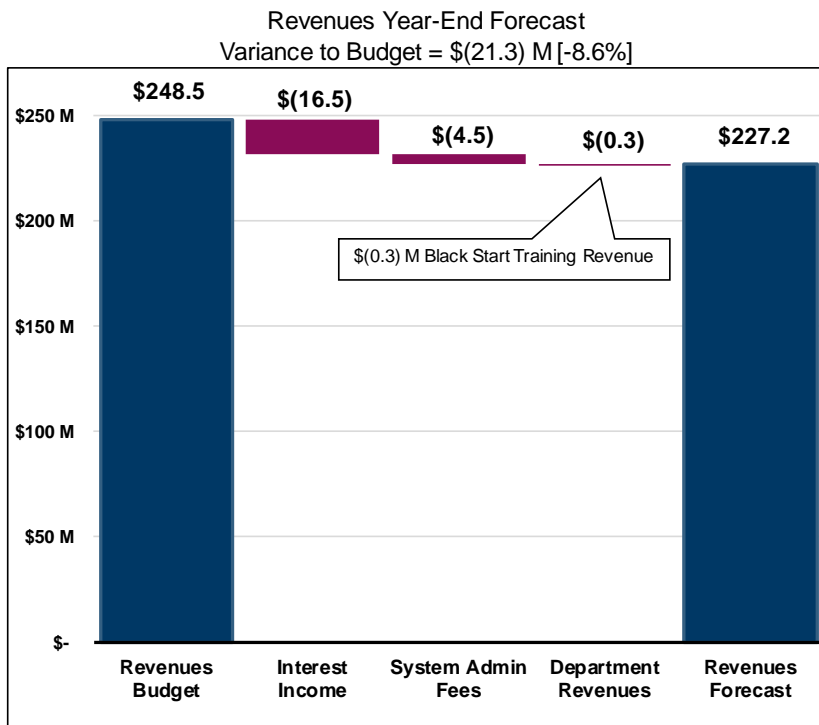
Urgent Finance & Audit Committee Meeting

ERCOT Public

August 10, 2020

April 2020 Financial Summary: 2020 Variance to Budget (\$ in Millions)

Net Available Year-End Forecast Variance to Budget = \$(21.5) M



Charts may not foot due to rounding.



April 2020 Financial Summary: Statements of Financial Position

As of February 29, 2020 and February 28, 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
Assets		
Unrestricted cash	\$ 997.6	\$ 804.2
Bond investments	102.9	100.4
Total unrestricted cash and bond investments	1,100.5	904.6
Restricted cash	479.1	441.3
Other current assets	38.6	36.8
Other long-term assets	132.0	141.9
Total assets	<u>\$ 1,750.2</u>	<u>\$ 1,524.6</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 546.2	\$ 480.4
CRR auction liabilities-long term	395.2	345.4
Other market liabilities	133.6	91.4
Total market settlement liabilities	1,075.0	917.2
Security deposits	479.1	441.3
Other current liabilities	22.5	23.3
Other long-term liabilities	47.8	51.1
Net assets without donor restrictions	125.8	91.7
Total liabilities and net assets	<u>\$ 1,750.2</u>	<u>\$ 1,524.6</u>

Preliminary-Unaudited



April 2020 Financial Summary: Statements of Activities and Net Assets

For the Two Months Ended February 29, 2020 and February 28, 2019 (\$ in Millions)

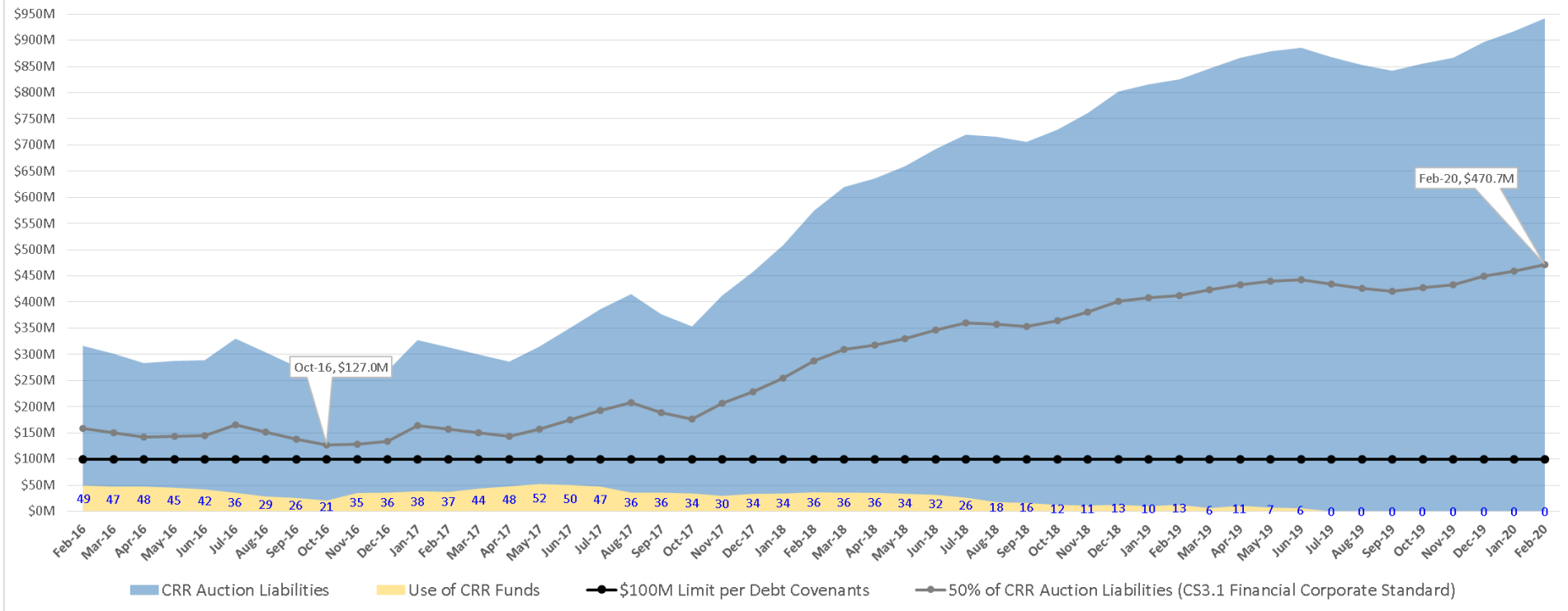
	<u>2020</u>		<u>2019</u>
Operating revenues	\$ 33.7	\$	33.1
Operating expenses	35.2		34.9
Income from operations	(1.5)		(1.8)
Other income	2.3		3.2
Change in net assets without donor restrictions	0.8		1.4
Net assets without donor restrictions, beginning of year	125.0		90.3
Net assets without donor restrictions, end of period	<u>\$ 125.8</u>	\$	<u>91.7</u>

Preliminary-Unaudited



April 2020 Financial Summary: Use of CRR Funds: Actual vs Limits

Use of CRR Funds: Actual vs Limits



As of February 29, 2020, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$25M.



Appendices

Electric Reliability Council of Texas, Inc. 2020 Financial Summary As of March 17, 2020 (\$ in Millions)											
						Year to Date (February 29)			Year End (December 31)		
Line	2019	2020				2019	2020				
	Actual	Budget	Actual	Variance		Actual	Budget	Forecast	Variance		
				\$	%				\$	%	
1	System Administration Revenue	\$ 31.2	\$ 33.4	\$ 31.7	\$ (1.6)	(4.9)	\$ 214.0	\$ 222.6	\$ 218.1	\$ (4.5)	(2.0)
2	Department Net Expenditures										
3	Chief Information Office	12.9	13.2	12.5	0.7	5.1	75.0	78.5	79.2	(0.7)	(0.9)
4	Chief Administrative Office	6.2	7.0	7.0	(0.0)	(0.2)	40.3	43.1	43.6	(0.6)	(1.3)
5	Grid Planning & Operations	4.5	4.9	4.5	0.4	7.4	30.4	33.8	35.0	(1.3)	(3.7)
6	Commercial Operations	3.2	2.7	2.8	(0.2)	(6.6)	15.2	16.0	16.6	(0.7)	(4.3)
7	External Affairs & Corporate Communications	1.1	1.2	1.1	0.1	4.4	6.3	7.1	6.7	0.4	5.6
8	General Counsel	0.8	1.0	0.9	0.1	11.5	5.0	5.9	5.9	0.1	1.5
9	Chief Executive Office	0.7	0.5	0.4	0.1	17.1	3.0	2.8	2.2	0.5	18.6
10	Project Funded Labor	(1.3)	(2.0)	(1.5)	(0.5)	(23.3)	(8.0)	(11.8)	(11.7)	(0.2)	(1.7)
11	Total Department Net Expenditures	28.1	28.4	27.7	0.6	2.2	167.2	175.2	177.6	(2.4)	(1.4)
12	Net Revenues After Department Expenditures	3.2	5.0	4.0	(1.0)	(20.2)	46.8	47.4	40.5	(6.9)	(14.6)
13											
14	Less: Project Expenditures	3.7	5.3	3.2	2.1	40.2	20.8	32.0	30.0	2.0	6.3
15	Less: Interest Expense	0.2	0.3	0.3	(0.0)	(4.8)	1.7	1.7	1.7	(0.0)	(2.0)
16	Add: Interest Income	3.4	3.3	2.6	(0.7)	(22.2)	20.4	20.0	3.5	(16.5)	(82.5)
17											
18	Net Available	\$ 2.6	\$ 2.7	\$ 3.1	\$ 0.4	14.3	\$ 44.6	\$ 33.7	\$ 12.3	\$ (21.5)	(63.6)

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2020 Financial Summary Variance Explanations As of March 17, 2020		
Line	Year to Date (February 29)	Year End (December 31)
1 System Administration Revenue	-\$1.4 M - Weather -\$0.2 M - Weaker economy	-\$4.5 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$0.3 M - Common infrastructure purchases -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Data service subscriptions +\$0.4 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Minor capital purchases +\$0.1 M - Employee training and business travel +\$0.1 M - Consulting services <u>Timing Differences</u> +\$0.4 M - HW/SW support and maintenance renewals +\$0.1 M - HW/SW vendor support services	-\$0.8 M - Common infrastructure purchases -\$0.7 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Data service subscriptions +\$0.4 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Minor capital purchases +\$0.2 M - Employee training and business travel +\$0.1 M - Consulting services
4 Chief Administrative Office	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] <u>Timing Differences</u> +\$0.1 M - Property tax +\$0.1 M - Electricity +\$0.1 M - Employee training and business travel -\$0.1 M - Protocol services -\$0.1 M - Hardware maintenance and software	-\$0.5 M - Cyber monitoring service -\$0.1 M - Minor capital purchases -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Contingent labor [Resource Management-Staffing Management]

Electric Reliability Council of Texas, Inc.
2020 Financial Summary Variance Explanations
As of March 17, 2020

Line	Year to Date (February 29)	Year End (December 31)
5 Grid Planning & Operations	-\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel +\$0.1 M - Contingent labor [Resource Management-Staffing Management] <u>Timing Differences</u> +\$0.2 M - Black start training revenue +\$0.1 M - Interconnection revenue +\$0.1 M - Research studies	-\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - Black Start training revenue -\$0.2 M - Consulting services -\$0.1 M - Miscellaneous expenses +\$0.2 M - Black Start training expense +\$0.1 M - Employee training and business travel +\$0.1 M - Contingent labor [Resource Management-Staffing Management]
6 Commercial Operations	-\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]	-\$0.7 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
7 External Affairs & Corporate Communications	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.4 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]
8 General Counsel	<u>Timing Differences</u> +\$0.1 M - Outside legal services	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]
9 Chief Executive Office	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.5 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]
10 Project Funded Labor	-\$0.5 M - Multiple projects [Resource Management-Project Work]	-\$0.2 M - Multiple projects [Resource Management-Project Work]
14 Project Expenditures	+\$2.1 M - Multiple projects	+\$2.0 M - Multiple projects
15 Interest Expense	No material variance	No material variance
16 Interest Income	-\$0.7 M - Lower interest rate offset by higher investment balance	-\$16.5 M - Lower interest rate offset by higher investment balance

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

Line	Project	Year to Date As of February 29, 2020		Year to Date As of March 17, 2020		Life to Date As of February 29, 2020		Estimate at Completion (EAC) As of March 17, 2020			
		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 \$2.5 M											
1	Real Time Co-optimization (RTC)	\$ 0.0	0%	\$ 1.0	3%	\$ 0.0	0%	\$ 40.0	32%	\$ 40.0	0.0
2	Identity and Access Management (IAM)	0.1	87%	0.1	0%	7.9	98%	8.1	6%	8.1	0.0
3	Credit Monitoring and Management (CMM) NPRRs	0.1	10%	1.3	4%	5.4	68%	8.0	6%	7.8	(0.2)
4	Grid Geospatial (Grid Geo) Program	0.3	12%	2.3	8%	4.9	69%	7.1	6%	6.8	(0.2)
5	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.5	9%	4.9	16%	0.6	9%	6.4	5%	6.4	0.0
6	Resource Asset Registration Form (RARF) Replacement (RIOO)	0.4	14%	2.8	9%	3.3	56%	5.9	5%	5.9	0.0
7	Enterprise Content Alignment Program (ECAP)	0.1	11%	1.4	5%	3.7	61%	6.2	5%	5.0	(1.1)
8	Reactive Power Coordination (RPC)	0.0	1%	1.8	6%	0.0	1%	4.6	4%	4.6	0.0
9	Energy Management System (EMS) Upgrade 2024	0.1	4%	3.4	11%	0.1	2%	4.1	3%	4.1	0.0
10	Retail Portfolio Refresh Program	0.2	13%	1.4	5%	2.0	52%	3.9	3%	4.0	0.0
11	Delivery Tool Chain Modernization	0.5	16%	2.9	10%	0.4	11%	3.4	3%	3.4	0.0
12	Security Constrained Unit Commitment (SCUC)	0.0	0%	0.2	1%	0.0	1%	3.2	3%	3.2	0.0
13	Privileged Account Management (PAM)	0.0	0%	0.9	3%	0.8	33%	2.6	2%	2.6	0.0
14	Total Projects with EAC Budget Over \$2.5 M	2.3	9%	24.2	81%	29.3	28%	103.4	83%	101.9	(1.5)
15	Other Projects	1.0	17%	5.8	19%	4.6	21%	21.5	17%	22.5	0.9
16	Total Project Expenditures	\$ 3.2	11%	\$ 30.0	100%	\$ 33.9	27%	\$ 124.9	100%	\$ 124.4	\$ (0.5)

Note: Schedule may not foot due to rounding.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Financial Position
As of February 29, 2020 and February 28, 2019
(Dollars in Thousands)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 997,567	\$ 804,188
Accounts receivable	3,460	3,501
Unbilled revenue	3,187	3,040
Restricted cash and cash equivalents	479,121	441,267
Short-term investments	102,514	100,181
Prepaid expenses and other current assets	32,319	30,546
Total current assets	1,618,168	1,382,723
Property and equipment, net	111,820	110,205
Systems under development	19,224	31,710
Other Long Term Assets	945	-
Total assets	<u>\$ 1,750,157</u>	<u>\$ 1,524,638</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,035	\$ 6,919
Accrued liabilities	9,595	10,600
Deferred revenue	1,847	1,805
Market settlement liabilities	679,758	571,782
Security deposits	479,121	441,267
Notes payable, current portion	4,000	4,000
Total current liabilities	1,181,356	1,036,373
Long-term liabilities:		
Notes payable, less current portion:		
Principal	47,000	51,000
Less unamortized debt issuance costs	176	183
Notes payable less current portion and unamortized debt issuance costs	46,824	50,817
Long-term CRR liabilities	395,199	345,443
Other long-term liabilities	970	346
Total long-term liabilities	442,993	396,606
Total liabilities	1,624,349	1,432,979
Net assets without donor restrictions	125,808	91,659
Total liabilities and net assets	<u>\$ 1,750,157</u>	<u>\$ 1,524,638</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Two Months Ended February 29, 2020 and February 28, 2019
(Dollars in Thousands)

	2020	2019
Operating revenues		
System administration fees	\$ 31,719	\$ 31,222
Other services revenue	1,953	1,836
Total operating revenues	<u>33,672</u>	<u>33,058</u>
Operating expenses		
Salaries and related benefits	20,533	20,253
Facility and equipment costs	1,675	1,646
Outside services	2,336	2,677
Hardware and software maintenance and licensing	4,268	4,516
Depreciation	5,079	4,757
Other	1,315	1,040
Total operating expenses	<u>35,206</u>	<u>34,889</u>
Income from operations	(1,534)	(1,831)
Other income (expense)		
Investment return, net	2,595	3,390
Interest expense	(295)	(217)
Non-operating income	2	-
Change in net assets without donor restrictions	<u>768</u>	<u>1,342</u>
Net assets without donor restrictions, beginning of year	125,040	90,317
Net assets without donor restrictions, end of period	<u>\$ 125,808</u>	<u>\$ 91,659</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Two Months Ended February 29, 2020 and February 28, 2019**

(Dollars in Thousands)

	2020	2019
Operating activities:		
Change in net assets without donor restrictions	\$ 768	\$ 1,342
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	5,079	4,757
Amortization of debt issuance costs	2	3
Amortization of bond discount	(39)	(217)
Net loss on capital assets	1	-
Changes in operating assets and liabilities:		
Accounts receivable	2,396	2,370
Unbilled revenue	(670)	96
Prepaid expenses and other assets	(2,724)	(2,754)
Other long-term assets	(945)	-
Other long-term liabilities	611	(80)
Accounts payable	4,742	4,976
Accrued liabilities	(1,293)	(883)
Deferred revenue	(3,846)	(3,861)
Security deposits	(24,688)	(17,257)
Market settlement liabilities	(12,156)	(29,046)
Long-term CRR liabilities	35,854	42,044
Net cash provided by operating activities	<u>3,092</u>	<u>1,490</u>
Investing activities:		
Purchase of Investments	(65,599)	(18,855)
Proceeds from Investments	65,221	18,834
Capital expenditures for property and equipment and systems under development	(2,877)	(5,884)
Net cash (used in) investing activities	<u>(3,255)</u>	<u>(5,905)</u>
Financing activities:		
Payment of debt issuance costs	(8)	-
Net cash (used in) financing activities	<u>(8)</u>	<u>-</u>
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(171)	(4,415)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	1,476,859	1,249,870
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 1,476,688</u>	<u>\$ 1,245,455</u>