



## **Item 7.2: June 2020 Financial Summary**

*Sean Taylor*

Vice President & Chief Financial Officer

Urgent Finance & Audit Committee Meeting

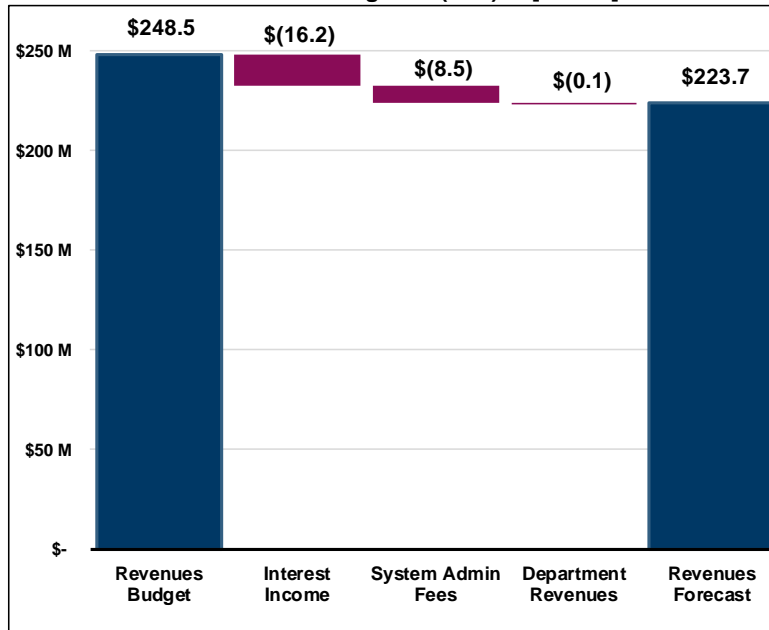
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August 10, 2020

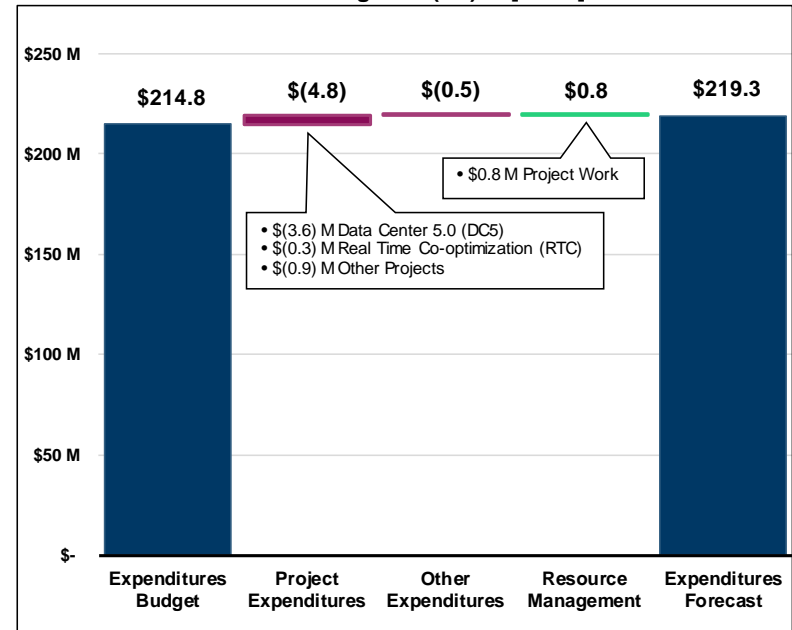
# June 2020 Financial Summary: 2020 Variance to Budget (\$ in Millions)

**Net Available Year-End Forecast Variance to Budget = \$(29.3) M**

**Revenues Year-End Forecast**  
Variance to Budget = \$(24.8) M [-10.0%]



**Expenditures Year-End Forecast**  
Variance to Budget = \$(4.5) M [-2.1%]



Charts may not foot due to rounding



# June 2020 Financial Summary: Statements of Financial Position

**As of April 30, 2020 and 2019 (\$ in Millions)**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Unrestricted cash	\$ 991.2	\$ 853.6
Bond investments	103.2	100.6
Total unrestricted cash and bond investments	1,094.4	954.2
Restricted cash	481.5	438.3
Other current assets	46.8	33.4
Other long-term assets	133.8	141.4
Total assets	<u>\$ 1,756.5</u>	<u>\$ 1,567.3</u>
<b>Liabilities and Net Assets</b>		
CRR auction liabilities-current	\$ 527.9	\$ 451.8
CRR auction liabilities-long term	446.9	415.0
Other market liabilities	110.0	98.3
Total market settlement liabilities	1,084.8	965.1
Security deposits	481.5	438.3
Other current liabilities	20.4	20.8
Other long-term liabilities	46.7	50.2
Net assets without donor restrictions	123.1	92.9
Total liabilities and net assets	<u>\$ 1,756.5</u>	<u>\$ 1,567.3</u>



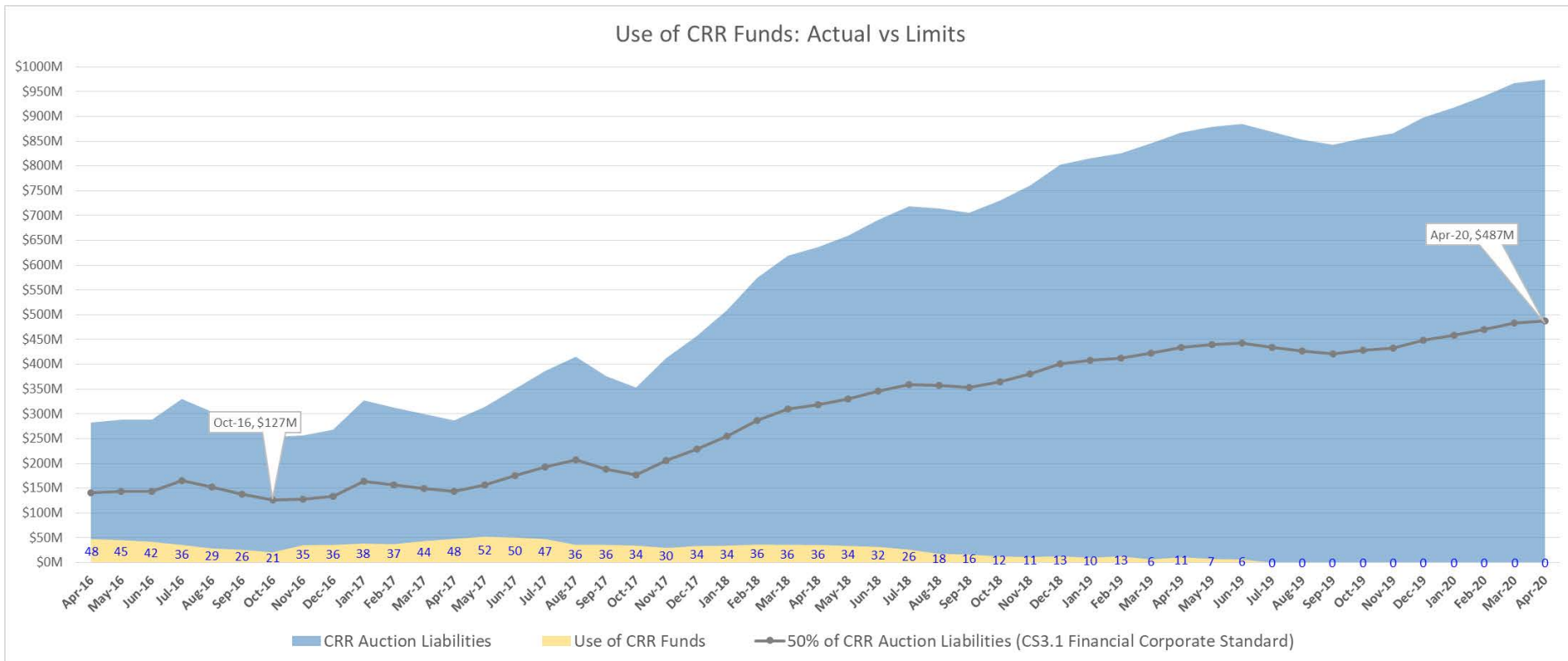
# June 2020 Financial Summary: Statements of Activities and Net Assets

## For the Four Months Ended April 30, 2020 and 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 65.0	\$ 64.6
Operating expenses	70.1	68.5
Loss from operations	(5.1)	(3.9)
Other income	3.2	6.5
Change in net assets without donor restrictions	(1.9)	2.6
Net assets without donor restrictions, beginning of year	125.0	90.3
Net assets without donor restrictions, end of period	<u>\$ 123.1</u>	<u>\$ 92.9</u>



# June 2020 Financial Summary: Use of CRR Funds: Actual vs Limits



As of April 30, 2020, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$10M.



# June 2020 Financial Summary: 2020-2025 Revenue Projections

<b>Adjusted SAF Revenues and Interest Income with Resulting Cash Balance / (CRR Borrowings Balance)</b>										
<b>(\$ in Millions)</b>										
<b>Per Approved 2020-2021 Budget</b>										
Line		2018 Actual	2019 Forecast	2020 Budget	2021 Budget	2022 Projection	2023 Projection	2024 Projection	2025 Projection	2019-2025 CAGR
1	System Administration Fee (SAF) Revenues	\$209.9	\$211.7	\$222.6	\$229.3	\$236.2	\$242.9	\$250.0	\$255.9	3.2%
2	Interest Income	13.1	20.0	20.0	20.0	20.0	20.0	20.0	20.0	
3	Total SAF Revenues and Interest Income	\$223.0	\$231.7	\$242.6	\$249.3	\$256.2	\$262.9	\$270.0	\$275.9	
4	Cash Balance / (CRR Borrowings Balance)	\$ (12.6)	\$ 26.2	\$ 55.9	\$ 84.6	\$ 109.0	\$ 119.8	\$ 134.9	\$ 165.8	
<b>Adjustments</b>										
Line		2018 Actual	2019 Actual	2020 Forecast	2021 Forecast	2022 Projection	2023 Projection	2024 Projection	2025 Projection	2019-2025 Totals
5	System Administration Fee (SAF) Revenues	\$ -	\$ 2.3	\$ (8.5)	\$ (9.2)	\$ (8.3)	\$ (8.0)	\$ (10.3)	\$ (13.5)	\$ (55.5)
6	SAF Revenue % Change vs Approved Budget	0.0%	1.1%	-3.8%	-4.0%	-3.5%	-3.3%	-4.1%	-5.3%	
7	Interest Income	-	0.4	(16.2)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)	(115.8)
8	Total SAF Revenues and Interest Income	\$ -	\$ 2.7	\$ (24.7)	\$ (29.2)	\$ (28.3)	\$ (28.0)	\$ (30.3)	\$ (33.5)	\$ (171.3)
9	Cash Balance / (CRR Borrowings Balance)	\$ -	\$ (1.8)	\$ (26.5)	\$ (55.6)	\$ (83.9)	\$ (112.0)	\$ (142.3)	\$ (175.8)	
<b>Adjusted Amounts</b>										
Line		2018 Actual	2019 Actual	2020 Forecast	2021 Forecast	2022 Projection	2023 Projection	2024 Projection	2025 Projection	2019-2025 CAGR
10	System Administration Fee (SAF) Revenues	\$209.9	\$214.0	\$214.2	\$220.1	\$227.9	\$234.8	\$239.7	\$242.3	2.1%
11	Interest Income	13.1	20.4	3.8	-	-	-	-	-	
12	Total SAF Revenues and Interest Income	\$223.0	\$234.4	\$218.0	\$220.1	\$227.9	\$234.8	\$239.7	\$242.3	
13	Cash Balance / (CRR Borrowings Balance)	\$ (12.6)	\$ 24.4	\$ 29.5	\$ 29.0	\$ 25.0	\$ 7.8	\$ (7.4)	\$ (10.0)	

Schedule may not foot due to rounding



# Appendices

Electric Reliability Council of Texas, Inc. 2020 Financial Summary As of June 1, 2020 (\$ in Millions)		Year to Date (April 30)					Year End (December 31)				
		2019		2020			2019		2020		
		Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%
<b>1</b>	<b>System Administration Revenue</b>	\$ 61.7	\$ 65.4	\$ 62.4	\$ (3.0)	(4.6)	\$ 214.0	\$ 222.6	\$ 214.2	\$ (8.5)	(3.8)
<b>2</b>	<b>Department Net Expenditures</b>										
3	Chief Information Office	25.5	26.3	25.8	0.5	1.7	75.0	78.5	79.5	(0.9)	(1.2)
4	Chief Administrative Office	13.3	14.0	14.1	(0.0)	(0.2)	40.3	43.1	42.8	0.2	0.6
5	Grid Planning & Operations	9.8	10.4	10.3	0.2	1.7	30.4	33.8	33.8	(0.0)	(0.0)
6	Commercial Operations	5.1	5.3	5.6	(0.3)	(6.1)	15.2	16.0	16.6	(0.6)	(3.9)
7	External Affairs & Corporate Communications	2.1	2.4	2.2	0.2	6.7	6.3	7.1	6.8	0.3	4.0
8	General Counsel	1.5	2.0	1.9	0.0	2.5	5.0	5.9	5.9	0.0	0.2
9	Chief Executive Office	1.1	0.9	0.7	0.2	19.8	3.0	2.8	2.2	0.5	19.9
10	Project Funded Labor	(2.6)	(3.9)	(3.6)	(0.4)	(9.1)	(8.0)	(11.9)	(12.7)	0.8	6.8
<b>11</b>	<b>Total Department Net Expenditures</b>	<b>55.9</b>	<b>57.4</b>	<b>57.2</b>	<b>0.3</b>	<b>0.5</b>	<b>167.2</b>	<b>175.2</b>	<b>174.9</b>	<b>0.3</b>	<b>0.2</b>
<b>12</b>	<b>Net Revenues After Department Expenditures</b>	<b>5.7</b>	<b>8.0</b>	<b>5.2</b>	<b>(2.7)</b>	<b>(33.6)</b>	<b>46.8</b>	<b>47.4</b>	<b>39.3</b>	<b>(8.1)</b>	<b>(17.2)</b>
13											
14	Less: Project Expenditures	8.0	10.7	10.3	0.4	3.5	20.8	32.0	36.8	(4.8)	(15.0)
15	Less: Interest Expense	0.5	0.6	0.6	(0.0)	(1.9)	1.7	1.7	1.8	(0.1)	(8.8)
16	Add: Interest Income	7.0	6.7	3.8	(2.9)	(43.4)	20.4	20.0	3.8	(16.2)	(81.1)
17											
<b>18</b>	<b>Net Available</b>	<b>\$ 4.2</b>	<b>\$ 3.4</b>	<b>\$ (1.9)</b>	<b>\$ (5.2)</b>	<b>(151.7)</b>	<b>\$ 44.6</b>	<b>\$ 33.7</b>	<b>\$ 4.4</b>	<b>\$ (29.3)</b>	<b>(86.9)</b>

Note: Schedule may not foot due to rounding



**Electric Reliability Council of Texas, Inc.**  
**2020 Financial Summary Variance Explanations**  
**As of June 1, 2020**

<b>Line</b>	<b>Year to Date (April 30)</b>	<b>Year End (December 31)</b>
1 System Administration Revenue	-\$2.1 M - Weaker economy -\$0.9 M - Weather	-\$8.5 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$0.7 M - Common infrastructure purchases -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Data service subscriptions +\$0.6 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Employee training and business travel +\$0.1 M - Minor capital purchases  <u>Timing Differences</u> +\$0.3 M - Contingent labor +\$0.2 M - Other miscellaneous +\$0.1 M - WAN Revenues	-\$1.3 M - Common infrastructure purchases -\$0.6 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Data service subscriptions +\$0.6 M - Contingent labor [Resource Management-Staffing Management] +\$0.3 M - Employee training and business travel +\$0.2 M - Minor capital purchases
4 Chief Administrative Office	+\$0.1 M - Employee training and business travel -\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.2 M - Electricity and building maintenance +\$0.1 M - Insurance premiums  -\$0.2 M - Hardware maintenance and software -\$0.1 M - Immigration services  <u>Timing Differences</u> -\$0.1 M - Protocol services +\$0.2 M - Property tax +\$0.1 M - Minor capital purchases	+\$0.4 M - Employee training and business travel +\$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.3 M - Electricity and building maintenance +\$0.1 M - Insurance premiums +\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Professional and consulting services -\$0.5 M - Cyber monitoring service -\$0.5 M - Hardware maintenance and software -\$0.1 M - Immigration services

**Electric Reliability Council of Texas, Inc.**  
**2020 Financial Summary Variance Explanations**  
**As of June 1, 2020**

<b>Line</b>	<b>Year to Date (April 30)</b>	<b>Year End (December 31)</b>
5 Grid Planning & Operations	+\$0.2 M - Employee training and business travel +\$0.1 M - Black Start training expense +\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Interconnection revenue -\$0.4 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - Black Start training revenue  <u>Timing Differences</u> +\$0.1 M - Software +\$0.1 M - Research studies +\$0.1 M - Data service subscriptions	+\$0.6 M - Employee training and business travel +\$0.2 M - Black Start training expense +\$0.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Interconnection revenue -\$0.7 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - Black Start training revenue -\$0.1 M - Consulting services -\$0.1 M - Training subscriptions
6 Commercial Operations	-\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel	-\$0.5 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel
7 External Affairs & Corporate Communications	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]  <u>Timing Differences</u> +\$0.1 M - Media alerts	+\$0.3 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]
8 General Counsel	-\$0.1 M - Board member recruiting expense -\$0.1 M - Minor capital purchases  <u>Timing Differences</u> +\$0.2 M - Outside legal services	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel -\$0.1 M - Board member recruiting expense -\$0.1 M - Minor capital purchases
9 Chief Executive Office	+\$0.2 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.5 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]
10 Project Funded Labor	<u>Timing Differences</u> -\$0.4 M - Multiple projects [Resource Management-Project Work]	+\$0.8 M - Multiple projects [Resource Management-Project Work]
14 Project Expenditures	<u>Timing Differences</u> +\$0.4 M - Multiple projects	-\$4.8 M - Primarily due to timing differences for Data Center 5.0 (DC5) and Real Time Co-optimization (RTC)
15 Interest Expense	No material variance	-\$0.1 M - Lower capitalized interest
16 Interest Income	-\$2.9 M - Lower interest rate partially offset by higher investment balance	-\$16.2 M - Lower interest rate partially offset by higher investment balance

Electric Reliability Council of Texas, Inc.

Project Expenditures Summary

(\$ in Millions)

Line	Project	Year to Date As of April 30, 2020		Year End (YE) As of June 1, 2020		Life to Date As of April 30, 2020		Estimate at Completion (EAC) As of June 1, 2020			
		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 \$2.5 M</b>											
1	Real Time Co-optimization (RTC)	\$ 0.0	0%	\$ 3.3	9%	\$ 0.0	0%	\$ 51.6	28%	\$ 51.6	0.0
2	Data Center 5.0 (DC5) Program	0.0	0%	3.6	10%	0.0	0%	48.0	26%	48.0	0.0
3	Identity and Access Management (IAM)	0.1	100%	0.1	0%	8.0	100%	8.0	4%	8.1	0.1
4	Credit Monitoring and Management (CMM) NPRRs	0.3	21%	1.3	4%	5.7	71%	8.0	4%	7.8	(0.2)
5	Grid Geospatial (Grid Geo) Program	0.7	28%	2.4	6%	5.3	74%	7.2	4%	7.1	(0.1)
6	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	1.3	24%	5.4	15%	1.9	29%	6.3	3%	6.4	0.0
7	Resource Asset Registration Form (RARF) Replacement (RIOO)	0.9	20%	4.7	13%	4.0	67%	5.9	3%	5.9	0.0
8	Enterprise Content Alignment Program (ECAP)	0.5	27%	1.7	5%	4.1	62%	6.6	4%	5.0	(1.6)
9	Retail Portfolio Refresh Program	0.6	26%	2.4	6%	2.6	51%	5.0	3%	5.0	0.0
10	Reactive Power Coordination (RPC)	0.0	3%	1.7	5%	0.1	2%	4.6	2%	4.6	0.0
11	Energy Management System (EMS) Upgrade 2024	0.7	21%	3.3	9%	0.7	18%	4.1	2%	4.1	0.0
12	Delivery Tool Chain Modernization	0.6	39%	1.7	5%	0.6	19%	3.4	2%	3.4	0.0
13	Security Constrained Unit Commitment (SCUC)	0.0	0%	0.1	0%	0.0	1%	3.2	2%	3.2	0.0
14	Privileged Account Management (PAM)	0.0	n/a	0.0	0%	0.8	33%	2.6	1%	2.6	0.0
15	<b>Total Projects with EAC Budget Over \$2.5 M</b>	<b>5.7</b>	<b>18%</b>	<b>31.5</b>	<b>86%</b>	<b>33.8</b>	<b>21%</b>	<b>164.5</b>	<b>88%</b>	<b>162.9</b>	<b>(1.7)</b>
16	<b>Other Projects</b>	<b>4.6</b>	<b>87%</b>	<b>5.3</b>	<b>14%</b>	<b>8.8</b>	<b>41%</b>	<b>21.5</b>	<b>12%</b>	<b>23.2</b>	<b>1.6</b>
17	<b>Total Project Expenditures</b>	<b>\$ 10.3</b>	<b>28%</b>	<b>\$ 36.8</b>	<b>100%</b>	<b>\$ 42.6</b>	<b>23%</b>	<b>\$ 186.1</b>	<b>100%</b>	<b>\$ 186.1</b>	<b>\$ (0.0)</b>

Note: Schedule may not foot due to rounding

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Financial Position****As of April 30, 2020 and 2019**

(Dollars in Thousands)

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 991,246	\$ 853,564
Accounts receivable	17,267	4,686
Unbilled revenue	2,597	3,174
Restricted cash and cash equivalents	481,536	438,293
Short-term investments	102,613	100,393
Prepaid expenses and other current assets	27,246	25,757
Total current assets	1,622,505	1,425,867
Long-term investments	253	-
Property and equipment, net	110,121	108,363
Systems under development	22,778	33,029
Other Long Term Assets	860	-
Total assets	\$ 1,756,517	\$ 1,567,259
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 2,468	\$ 2,443
Accrued liabilities	10,468	10,996
Deferred revenue	3,418	3,341
Market settlement liabilities	637,901	550,110
Security deposits	481,536	438,293
Notes payable, current portion	4,000	4,000
Total current liabilities	1,139,791	1,009,183
Long-term liabilities:		
Notes payable, less current portion:		
Principal	46,000	50,000
Less unamortized debt issuance costs	185	181
Notes payable less current portion and unamortized debt issuance costs	45,815	49,819
Long-term CRR liabilities	446,926	415,036
Other long-term liabilities	877	350
Total long-term liabilities	493,618	465,205
Total liabilities	1,633,409	1,474,388
Net assets without donor restrictions	123,108	92,871
Total liabilities and net assets	\$ 1,756,517	\$ 1,567,259

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Activities and Net Assets**  
**For the Four Months Ended April 30, 2020 and 2019**  
(Dollars in Thousands)

	<b>2020</b>	<b>2019</b>
Operating revenues		
System administration fees	\$ 62,378	\$ 61,654
Other services revenue	2,618	2,959
Total operating revenues	<u>64,996</u>	<u>64,613</u>
Operating expenses		
Salaries and related benefits	40,197	38,845
Facility and equipment costs	3,227	3,299
Outside services	5,165	5,656
Hardware and software maintenance and licensing	9,137	8,961
Depreciation	10,197	9,590
Other	2,213	2,240
Total operating expenses	<u>70,136</u>	<u>68,591</u>
Loss from operations	(5,140)	(3,978)
Other income (expense)		
Investment return, net	3,774	7,023
Interest expense	(569)	(491)
Non-operating income	3	-
Change in net assets without donor restrictions	<u>(1,932)</u>	<u>2,554</u>
Net assets without donor restrictions, beginning of year	125,040	90,317
Net assets without donor restrictions, end of period	<u>\$ 123,108</u>	<u>\$ 92,871</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Cash Flows**  
**For the Four Months Ended April 30, 2020 and 2019**  
(Dollars in Thousands)

	<b>2020</b>	<b>2019</b>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ (1,932)	\$ 2,554
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	10,197	9,590
Amortization of debt issuance costs	5	5
Amortization of bond discount	(139)	(429)
Net loss on capital assets	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(11,411)	1,185
Unbilled revenue	(80)	(38)
Prepaid expenses and other assets	2,349	2,035
Other long-term assets	(860)	-
Other long-term liabilities	518	(76)
Accounts payable	377	389
Accrued liabilities	(1,034)	(419)
Deferred revenue	(2,275)	(2,325)
Security deposits	(22,273)	(20,231)
Market settlement liabilities	(54,013)	(50,718)
Long-term CRR liabilities	87,581	111,637
Net cash provided by operating activities	<u>7,010</u>	<u>53,159</u>
<b>Investing activities:</b>		
Purchase of Investments	(104,519)	(18,855)
Proceeds from Investments	103,889	18,834
Capital expenditures for property and equipment and systems under development	(9,437)	(10,151)
Net cash (used in) investing activities	<u>(10,067)</u>	<u>(10,172)</u>
<b>Financing activities:</b>		
Repayment of notes payable	(1,000)	(1,000)
Payment of debt issuance costs	(20)	-
Net cash (used in) financing activities	<u>(1,020)</u>	<u>(1,000)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(4,077)	41,987
Cash, cash equivalents, and restricted cash and cash equivalents , beginning of year	<u>1,476,859</u>	<u>1,249,870</u>
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 1,472,782</u>	<u>\$ 1,291,857</u>