



Item 3.1: Review 2020 Financial Summary

Sean Taylor

Vice President & Chief Financial Officer

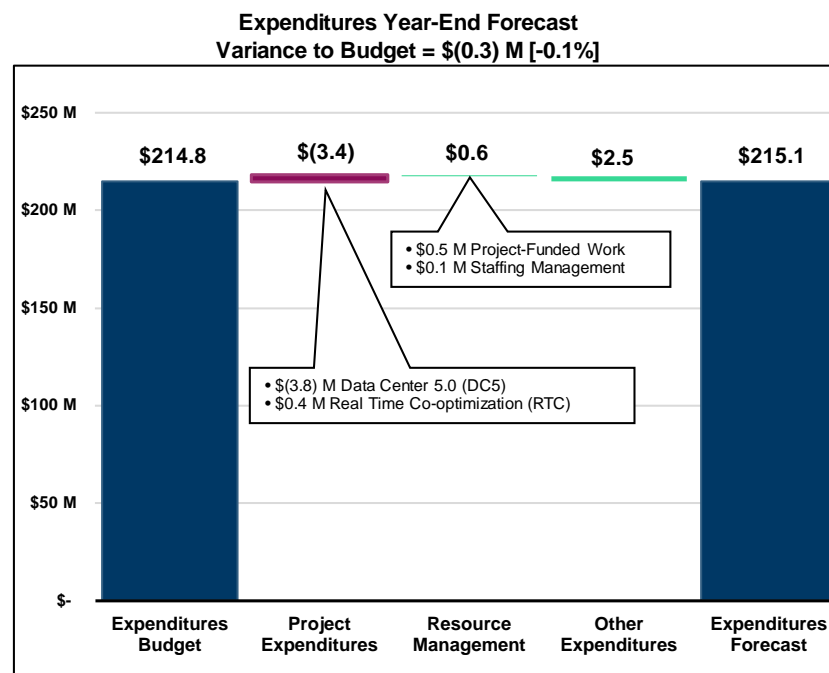
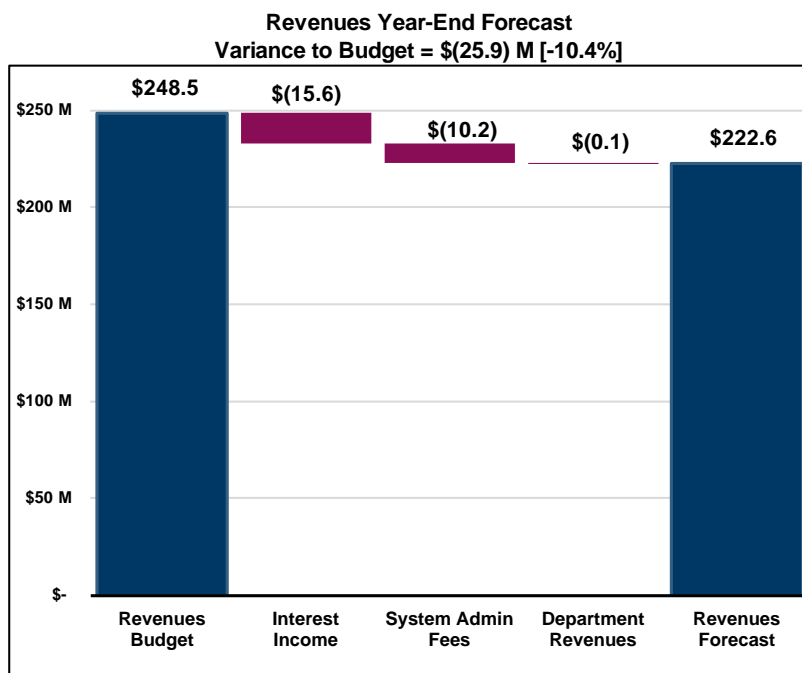
Urgent Finance & Audit Committee Meeting

ERCOT Public

October 12, 2020

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

Net Available Year-End Forecast Variance to Budget = \$(26.2) M



Charts may not foot due to rounding



Review 2020 Financial Summary: Statements of Financial Position

As of August 31, 2020 and 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
Assets		
Unrestricted cash	\$ 908.9	\$ 963.5
Bond investments	103.4	101.9
Total unrestricted cash and bond investments	<u>1,012.3</u>	<u>1,065.4</u>
Restricted cash	654.4	833.4
Other current assets	59.6	46.5
Other long-term assets	135.7	137.2
Total assets	<u>\$ 1,862.0</u>	<u>\$ 2,082.5</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 585.2	\$ 474.8
CRR auction liabilities-long term	385.4	377.5
Other market liabilities	29.8	202.0
Total market settlement liabilities	<u>1,000.4</u>	<u>1,054.3</u>
Security deposits	654.4	833.4
Other current liabilities	24.0	27.8
Other long-term liabilities	45.6	49.2
Net assets without donor restrictions	137.6	117.8
Total liabilities and net assets	<u>\$ 1,862.0</u>	<u>\$ 2,082.5</u>



Review 2020 Financial Summary: Statements of Activities and Net Assets

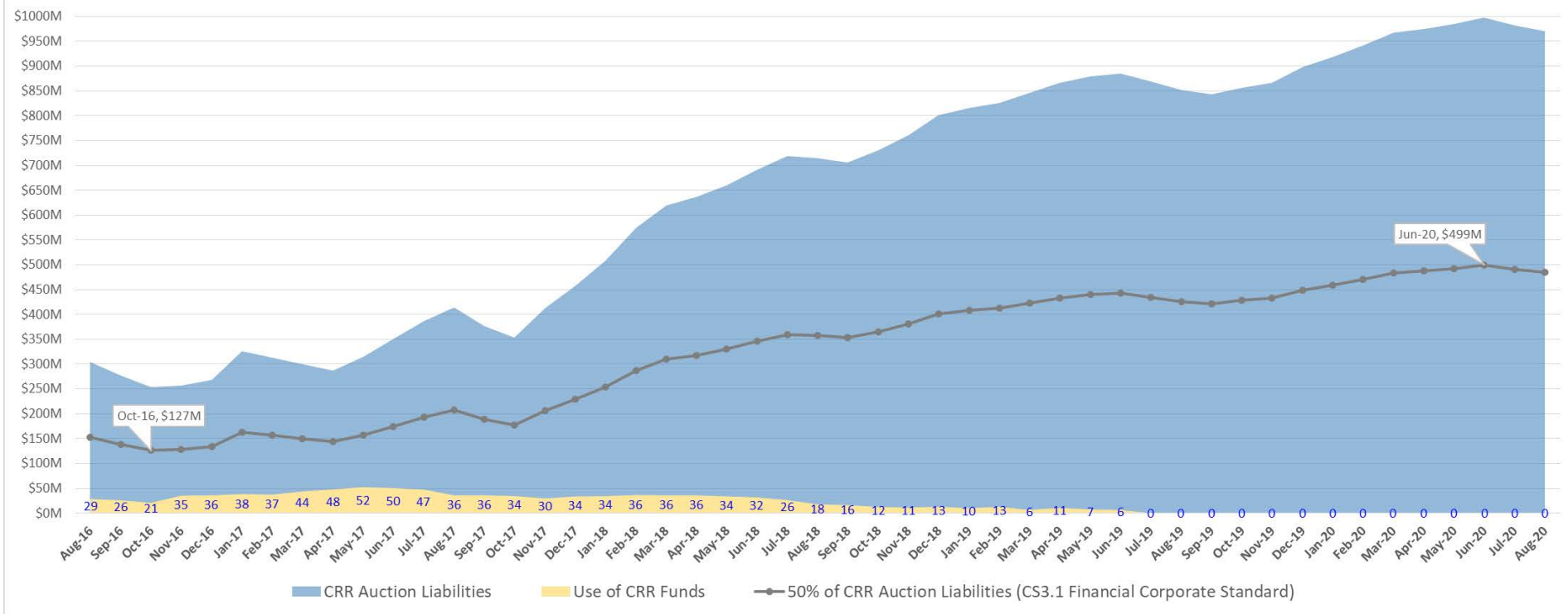
For the Eight Months Ended August 31, 2020 and 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 149.3	\$ 149.5
Operating expenses	139.9	135.4
Income from operations	9.4	14.1
Other income	3.2	13.4
Change in net assets without donor restrictions	12.6	27.5
Net assets without donor restrictions, beginning of year	125.0	90.3
Net assets without donor restrictions, end of period	\$ 137.6	\$ 117.8



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

Use of CRR Funds: Actual vs Limits



As of August 31, 2020, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$12M.



Appendices

Electric Reliability Council of Texas, Inc. 2020 Financial Summary As of October 1, 2020 (\$ in Millions)		Year to Date (August 31)					Year End (December 31)				
		2019	2020				2019	2020			%
			Actual	Budget	Actual	\$		Variance	Actual	Budget	
Line											
1	System Administration Revenue	\$ 144.4	\$ 151.4	\$ 144.5	\$ (6.9)	(4.5)	\$ 214.0	\$ 222.6	\$ 212.5	\$ (10.2)	(4.6)
2	Department Net Expenditures										
3	Chief Information Office	49.0	52.5	52.2	0.3	0.6	75.0	78.5	79.0	(0.4)	(0.6)
4	Chief Administrative Office	26.5	28.7	27.3	1.4	4.9	40.3	43.1	41.7	1.3	3.1
5	Grid Planning & Operations	19.9	21.9	21.2	0.7	3.1	30.4	33.8	33.1	0.6	1.8
6	Commercial Operations	10.1	10.6	11.0	(0.4)	(3.5)	15.2	16.0	16.3	(0.3)	(1.9)
7	External Affairs & Corporate Communications	4.3	4.8	4.3	0.5	10.4	6.3	7.1	6.3	0.7	10.4
8	General Counsel	3.3	4.0	3.7	0.2	5.9	5.0	5.9	5.6	0.4	6.6
9	Chief Executive Office	2.1	1.8	1.4	0.4	23.7	3.0	2.8	2.2	0.6	20.6
10	Project Funded Labor	(5.4)	(7.9)	(7.5)	(0.4)	(5.3)	(8.0)	(11.9)	(12.0)	0.1	1.3
11	Total Department Net Expenditures	109.7	116.4	113.6	2.8	2.4	167.2	175.2	172.2	3.0	1.7
12	Net Revenues After Department Expenditures	34.7	35.0	30.9	(4.1)	(11.8)	46.8	47.4	40.3	(7.2)	(15.2)
13											
14	Less: Project Expenditures	14.9	21.3	25.3	(4.0)	(18.7)	20.8	32.0	35.4	(3.4)	(10.6)
15	Less: Interest Expense	1.1	1.2	1.1	0.1	5.6	1.7	1.7	1.7	0.0	0.4
16	Add: Interest Income	14.5	13.3	4.3	(9.1)	(68.0)	20.4	20.0	4.4	(15.6)	(78.1)
17											
18	Net Available	\$ 33.2	\$ 25.9	\$ 8.8	\$ (17.1)	(66.0)	\$ 44.6	\$ 33.7	\$ 7.6	\$ (26.2)	(77.7)

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2020 Financial Summary Variance Explanations As of October 1, 2020			
Line		Year to Date (August 31)	Year End (December 31)
1	System Administration Revenue	-\$7.5 M - Weaker economy -\$0.6 M - Weather	-\$10.2 M - Based on current actuals and load forecast for remainder of year
3	Chief Information Office	-\$0.8 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$1.0 M - Common infrastructure purchases -\$0.4 M - HW/SW support and maintenance renewals -\$0.1 M - Data service subscriptions +\$1.7 M - Contingent labor [Resource Management-Staffing Management] +\$0.3 M - Employee training and business travel +\$0.3 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.2 M - Minor capital purchases <u>Timing Differences</u> -\$0.1 M - HW/SW support and maintenance renewals +\$0.1 M - WAN revenues +\$0.1 M - Building system maintenance	-\$1.4 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$1.3 M - Common infrastructure purchases -\$0.4 M - HW/SW support and maintenance renewals -\$0.1 M - Data service subscriptions +\$1.8 M - Contingent labor [Resource Management-Staffing Management] +\$0.4 M - Employee training and business travel +\$0.4 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.2 M - Minor capital purchases
4	Chief Administrative Office	+\$0.6 M - Professional services +\$0.3 M - Employee training and business travel +\$0.3 M - Electricity +\$0.3 M - Property tax +\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Office supplies +\$0.1 M - Insurance premiums -\$0.4 M - Software -\$0.3 M - Cyber monitoring service <u>Timing Differences</u> +\$0.3 M - Minor capital purchases	+\$0.6 M - Professional services +\$0.6 M - Employee training and business travel +\$0.4 M - Electricity +\$0.4 M - Property tax +\$0.2 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Office supplies +\$0.1 M - Insurance premiums -\$0.5 M - Software -\$0.5 M - Cyber monitoring service -\$0.1 M - Immigration services

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

Line	Year to Date (August 31)	Year End (December 31)
5 Grid Planning & Operations	+\$0.5 M - Interconnection revenue +\$0.4 M - Employee training and business travel +\$0.2 M - Data service subscriptions +\$0.2 M - Consulting services +\$0.1 M - Black Start training expense +\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Software +\$0.1 M - Research studies +\$0.1 M - Operator Training Seminar expense -\$0.6 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - Black Start training revenue -\$0.3 M - Operator Training Seminar revenue <u>Timing Differences</u> +\$0.1 M - Research studies	+\$0.5 M - Interconnection revenue +\$0.5 M - Employee training and business travel +\$0.3 M - Data service subscriptions +\$0.2 M - Consulting services +\$0.2 M - Black Start training expense +\$0.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Software +\$0.1 M - Research studies +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Other miscellaneous expense -\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - Black Start training revenue -\$0.3 M - Operator Training Seminar revenue -\$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 <u>Timing Differences</u> -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Professional services +\$0.1 M - Other miscellaneous expense	-\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 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 - Media alerts +\$0.1 M - Employee training and business travel	+\$0.4 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.2 M - Media alerts +\$0.2 M - Employee training and business travel -\$0.1 M - Contingent labor [Resource Management-Staffing Management]
8 General Counsel	+\$0.2 M - Outside legal services +\$0.1 M - Employee training and business travel +\$0.1 M - Data service subscriptions -\$0.1 M - Board member recruiting expense -\$0.1 M - Minor capital purchases	+\$0.3 M - Outside legal services +\$0.2 M - Employee training and business travel +\$0.1 M - Data service subscriptions -\$0.1 M - Board member recruiting expense -\$0.1 M - Minor capital purchases
9 Chief Executive Office	+\$0.4 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	+\$0.6 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-Funded Work]	+\$0.1 M - Multiple projects [Resource Management-Project-Funded Work]
14 Project Expenditures	-\$4.0 M - Primarily due to timing differences for Data Center 5.0 (DC5) and Real Time Co-optimization (RTC)	-\$3.4 M - Primarily due to timing differences for Data Center 5.0 (DC5) and Real Time Co-optimization (RTC)
15 Interest Expense	+\$0.1 M - Use of revolver has not been necessary	No material variance
16 Interest Income	-\$9.1 M - Lower interest rate partially offset by higher investment balance	-\$15.6 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 August 31, 2020		Year End (YE) As of October 1, 2020		Life to Date As of August 31, 2020		Estimate at Completion (EAC) As of October 1, 2020			
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	Real Time Co-Optimization (RTC)	\$ 2.4	94%	\$ 2.6	7%	\$ 2.4	5%	\$ 51.6	24%	\$ 51.6	\$ 0.0
2	Energy Management System (EMS) Upgrade 2024	2.0	61%	3.3	9%	2.0	10%	20.0	9%	20.0	0.0
3	Battery Energy Storage (BES)	0.0	0%	0.0	0%	0.0	0%	4.4	2%	4.4	0.0
4	Distributed Generation Resources (DGR)	0.0	0%	0.0	0%	0.0	0%	1.0	0%	1.0	0.0
5	NPRR863 ERCOT Contingency Reserve Service (ECRS)	0.0	0%	0.0	0%	0.0	0%	1.0	0%	1.0	0.0
6	Subtotal - Passport Program Projects	4.5	75%	5.9	17%	4.5	6%	78.0	37%	78.0	(0.0)
7	Data Center 5.0 (DC5) Program	3.6	95%	3.8	11%	3.6	7%	48.0	23%	48.0	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	2.4	55%	4.4	12%	5.4	46%	11.8	6%	11.8	0.0
9	Identity and Access Management (IAM)	0.1	100%	0.1	0%	7.9	100%	7.9	4%	8.1	0.2
10	Credit Monitoring and Management (CMM) NPRRs	0.8	59%	1.3	4%	6.2	77%	8.1	4%	7.8	(0.3)
11	Grid Geospatial (Grid Geo) Program	1.3	60%	2.2	6%	6.0	87%	6.9	3%	7.1	0.2
12	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	3.1	58%	5.3	15%	3.7	57%	6.4	3%	6.4	0.0
13	Enterprise Content Alignment Program (ECAP)	1.2	60%	2.1	6%	4.9	59%	8.3	4%	6.2	(2.1)
14	Retail Portfolio Refresh Program	1.7	71%	2.4	7%	3.7	71%	5.2	2%	5.2	0.0
15	Reactive Power Coordination (RPC)	0.1	100%	0.1	0%	0.2	4%	4.4	2%	4.4	0.0
16	Delivery Tool Chain Modernization	1.4	86%	1.6	5%	1.4	41%	3.4	2%	3.4	0.0
17	Subtotal - Listed Projects	20.2	69%	29.3	83%	47.4	25%	188.4	88%	186.5	(1.9)
18	Other Projects	5.1	84%	6.1	17%	9.8	40%	24.6	12%	26.6	2.0
19	Total Project Expenditures	\$ 25.3	72%	\$ 35.4	100%	\$ 57.2	27%	\$ 213.0	100%	\$ 213.1	\$ 0.1

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of August 31, 2020 and 2019**

(Dollars in Thousands)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 908,884	\$ 963,542
Accounts receivable	18,915	7,487
Unbilled revenue	3,805	4,878
Restricted cash and cash equivalents	654,383	833,444
Short-term investments	103,131	101,635
Prepaid expenses and other current assets	36,927	34,275
Total current assets	1,726,045	1,945,261
Long-term investments	252	-
Property and equipment, net	114,327	106,826
Systems under development	20,611	30,417
Other Long Term Assets	716	-
Total assets	<u>\$ 1,861,951</u>	<u>\$ 2,082,504</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 6,253	\$ 6,735
Accrued liabilities	12,036	10,610
Deferred revenue	1,711	6,411
Market settlement liabilities	614,982	676,863
Security deposits	654,383	833,444
Notes payable, current portion	4,000	4,000
Total current liabilities	1,293,365	1,538,063
Long-term liabilities:		
Notes payable, less current portion:		
Principal	45,000	49,000
Less unamortized debt issuance costs	179	176
Notes payable less current portion and unamortized debt issuance costs	44,821	48,824
Long-term CRR liabilities	385,425	377,456
Other long-term liabilities	737	353
Total long-term liabilities	430,983	426,633
Total liabilities	1,724,348	1,964,696
Net assets without donor restrictions	137,603	117,808
Total liabilities and net assets	<u>\$ 1,861,951</u>	<u>\$ 2,082,504</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Eight Months Ended August 31, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Operating revenues		
System administration fees	\$ 144,548	\$ 144,359
Other services revenue	4,726	5,159
Total operating revenues	<u>149,274</u>	<u>149,518</u>
Operating expenses		
Salaries and related benefits	79,628	76,483
Facility and equipment costs	6,077	6,442
Outside services	10,621	11,114
Hardware and software maintenance and licensing	18,829	17,174
Depreciation	20,453	19,398
Other	4,293	4,769
Total operating expenses	<u>139,901</u>	<u>135,380</u>
Income from operations	9,373	14,138
Other income (expense)		
Investment return, net	4,267	14,463
Interest expense	(1,088)	(1,107)
Non-operating income	11	(3)
Change in net assets without donor restrictions	<u>12,563</u>	<u>27,491</u>
Net assets without donor restrictions, beginning of year	125,040	90,317
Net assets without donor restrictions, end of period	<u>\$ 137,603</u>	<u>\$ 117,808</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Eight Months Ended August 31, 2020 and 2019**

(Dollars in Thousands)

	2020	2019
Operating activities:		
Change in net assets without donor restrictions	\$ 12,563	\$ 27,491
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	20,453	19,398
Amortization of debt issuance costs	11	10
Amortization of bond discount	(195)	(832)
Net loss on capital assets	-	3
Changes in operating assets and liabilities:		
Accounts receivable	(13,059)	(1,616)
Unbilled revenue	(1,288)	(1,742)
Prepaid expenses and other assets	(7,332)	(6,483)
Other long-term assets	(716)	-
Other long-term liabilities	378	(73)
Accounts payable	4,343	4,465
Accrued liabilities	591	(479)
Deferred revenue	(3,982)	745
Security deposits	150,574	374,920
Market settlement liabilities	(76,932)	76,035
Long-term CRR liabilities	26,080	74,057
Net cash provided by operating activities	<u>111,489</u>	<u>565,899</u>
Investing activities:		
Purchase of Investments	(207,636)	(89,453)
Proceeds from Investments	206,545	88,593
Capital expenditures for property and equipment and systems under development	(21,970)	(15,923)
Net cash (used in) investing activities	<u>(23,061)</u>	<u>(16,783)</u>
Financing activities:		
Repayment of notes payable	(2,000)	(2,000)
Payment of debt issuance costs	(20)	-
Net cash (used in) financing activities	<u>(2,020)</u>	<u>(2,000)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	86,408	547,116
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>\$ 1,563,267</u>	<u>\$ 1,796,986</u>