



Item 7.1: Review 2020 Financial Summary

Sean Taylor

Vice President & Chief Financial Officer

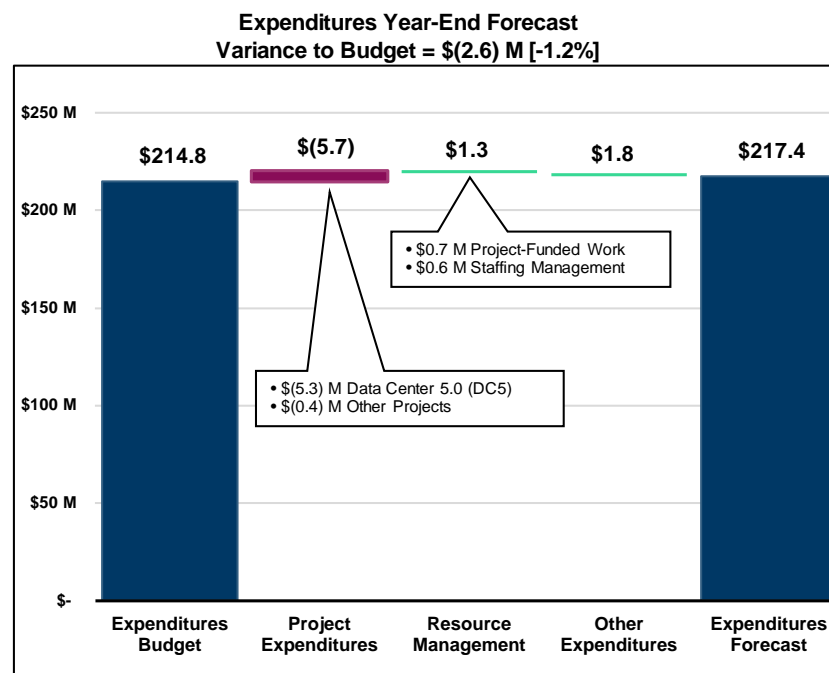
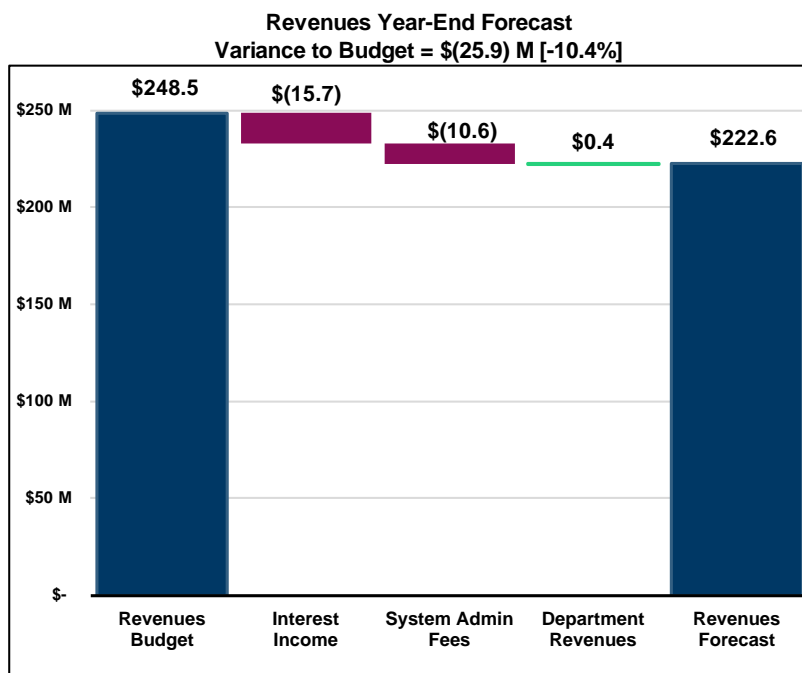
Urgent Finance & Audit Committee Meeting

ERCOT Public

December 7, 2020

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

Net Available Year-End Forecast Variance to Budget = \$(28.5) M



Charts may not foot due to rounding



Review 2020 Financial Summary: Statements of Financial Position

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

	<u>2020</u>	<u>2019</u>
Assets		
Unrestricted cash	\$ 917.5	\$ 913.0
Bond investments	103.4	102.3
Total unrestricted cash and bond investments	<u>1,020.9</u>	<u>1,015.3</u>
Restricted cash	655.7	554.7
Other current assets	48.9	34.9
Other long-term assets	136.8	135.5
Total assets	<u>\$ 1,862.3</u>	<u>\$ 1,740.4</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 540.6	\$ 446.0
CRR auction liabilities-long term	429.8	410.0
Other market liabilities	30.7	134.7
Total market settlement liabilities	<u>1,001.1</u>	<u>990.7</u>
Security deposits	655.7	554.7
Other current liabilities	21.9	21.3
Other long-term liabilities	44.5	48.2
Net assets without donor restrictions	139.1	125.5
Total liabilities and net assets	<u>\$ 1,862.3</u>	<u>\$ 1,740.4</u>



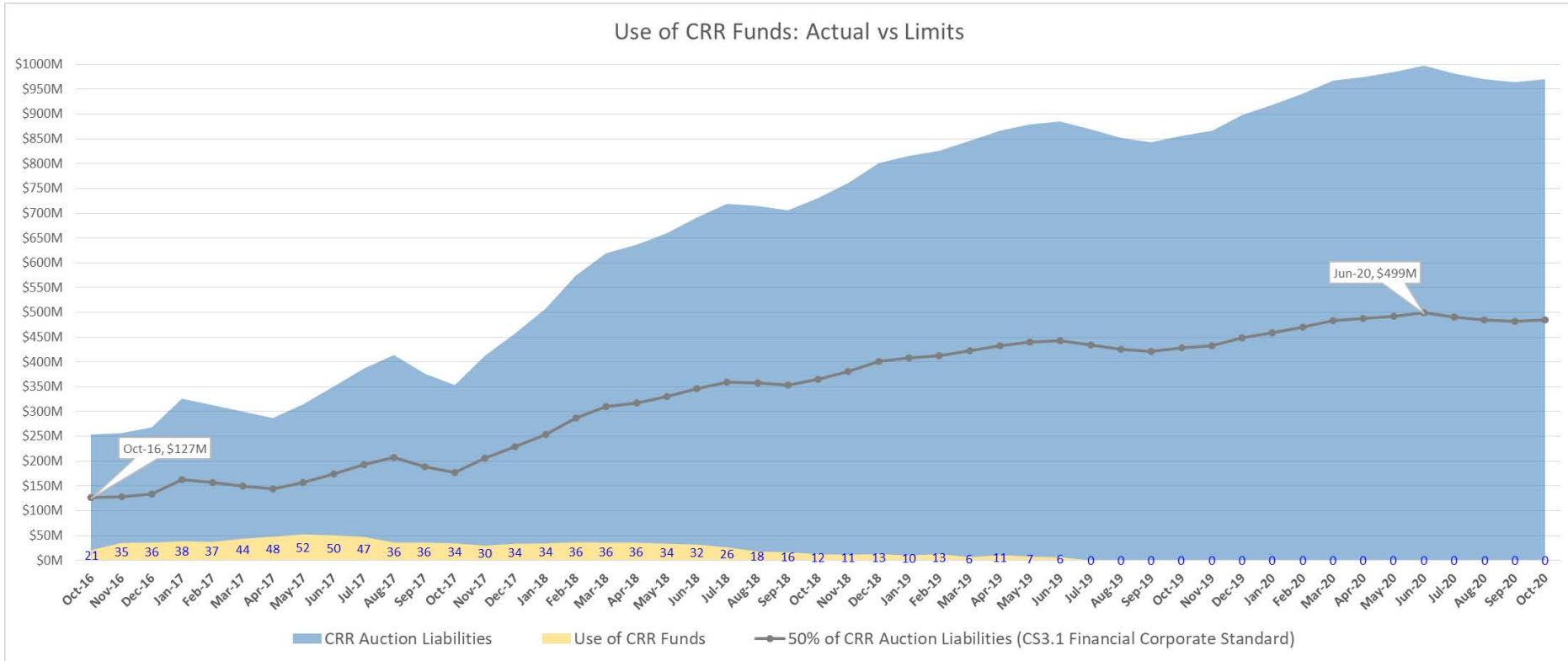
Review 2020 Financial Summary: Statements of Activities and Net Assets

For the Ten Months Ended October 31, 2020 and 2019 (\$ in Millions)

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 186.2	\$ 188.4
Operating expenses	175.1	169.6
Income from operations	11.1	18.8
Other income	3.0	16.4
Change in net assets without donor restrictions	14.1	35.2
Net assets without donor restrictions, beginning of year	125.0	90.3
Net assets without donor restrictions, end of period	\$ 139.1	\$ 125.5



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



As of October 31, 2020, Unrestricted Cash and Bond Investments exceeded Market Liabilities by approximately \$20M.



Appendices

Electric Reliability Council of Texas, Inc. 2020 Financial Summary As of November 19, 2020 (\$ in Millions)		Year to Date (October 31)					Year End (December 31)				
		2019	2020		Variance		2019	2020		Variance	
			Actual	Budget	Actual	\$		%	Actual	Budget	Forecast
Line											
1	System Administration Revenue	\$ 182.2	\$ 189.1	\$ 180.1	\$ (9.0)	(4.8)	\$ 214.0	\$ 222.6	\$ 212.0	\$ (10.6)	(4.8)
2	Department Net Expenditures										
3	Chief Information Office	63.1	67.2	67.2	(0.0)	(0.0)	75.0	80.4	81.2	(0.8)	(1.0)
4	Chief Administrative Office	31.8	34.2	32.8	1.5	4.3	40.3	41.2	39.8	1.4	3.5
5	Grid Planning & Operations	25.2	27.6	26.4	1.1	4.0	30.4	33.8	32.6	1.1	3.4
6	Commercial Operations	12.7	13.3	13.6	(0.3)	(2.4)	15.2	16.0	16.3	(0.3)	(2.1)
7	External Affairs & Corporate Communications	5.3	5.9	5.3	0.6	9.8	6.3	7.1	6.4	0.7	9.3
8	General Counsel	4.1	5.0	4.5	0.4	9.0	5.0	5.9	5.4	0.5	8.7
9	Chief Executive Office	2.6	2.3	1.7	0.6	24.6	3.0	2.8	2.1	0.7	23.9
10	Project Funded Labor	(6.7)	(9.9)	(10.0)	0.1	1.3	(8.0)	(11.9)	(12.0)	0.1	1.0
11	Total Department Net Expenditures	138.0	145.6	141.7	4.0	2.7	167.2	175.2	171.8	3.4	2.0
12	Net Revenues After Department Expenditures	44.2	43.5	38.4	(5.0)	(11.6)	46.8	47.4	40.3	(7.2)	(15.1)
13											
14	Less: Project Expenditures	17.8	26.7	31.9	(5.2)	(19.5)	20.8	32.0	37.7	(5.7)	(17.8)
15	Less: Interest Expense	1.4	1.4	1.3	0.1	6.9	1.7	1.7	1.6	0.1	4.1
16	Add: Interest Income	17.8	16.7	4.3	(12.4)	(74.2)	20.4	20.0	4.3	(15.7)	(78.4)
17											
18	Net Available	\$ 42.8	\$ 32.1	\$ 9.5	\$ (22.5)	(70.2)	\$ 44.6	\$ 33.7	\$ 5.3	\$ (28.5)	(84.4)

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2020 Financial Summary Variance Explanations As of November 19, 2020		
Line	Year to Date (October 31)	Year End (December 31)
1 System Administration Revenue	-\$9.2 M - Weaker economy +\$0.2 M - Weather	-\$10.6 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$1.3 M - HW/SW support and maintenance renewals -\$0.9 M - Common infrastructure purchases -\$0.9 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - Professional services -\$0.1 M - Data service subscriptions +\$2.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.4 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.4 M - Employee training and business travel +\$0.2 M - Minor capital purchases <u>Timing Differences</u> +\$0.2 M - WAN revenues +\$0.1 M - Building system maintenance +\$0.1 M - Minor capital purchases	-\$1.7 M - HW/SW support and maintenance renewals -\$1.3 M - Common infrastructure purchases -\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.3 M - Professional services -\$0.1 M - Data service subscriptions +\$2.5 M - Contingent labor [Resource Management-Staffing Management] +\$0.6 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.4 M - Employee training and business travel +\$0.2 M - Minor capital purchases
4 Chief Administrative Office	+\$0.6 M - Professional services +\$0.4 M - Employee training and business travel +\$0.4 M - Electricity +\$0.3 M - Property tax +\$0.3 M - Minor capital purchases +\$0.1 M - Office supplies +\$0.1 M - Insurance premiums +\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.4 M - Cyber monitoring service -\$0.4 M - Software -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] <u>Timing Differences</u> +\$0.1 M - Professional services	+\$0.6 M - Professional services +\$0.5 M - Employee training and business travel +\$0.4 M - Electricity +\$0.4 M - Property tax +\$0.4 M - Minor capital purchases +\$0.1 M - Office supplies +\$0.1 M - Insurance premiums +\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Equipment and tools -\$0.5 M - Cyber monitoring service -\$0.5 M - Software -\$0.3 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]

Electric Reliability Council of Texas, Inc.
2020 Financial Summary Variance Explanations
As of November 19, 2020

Line	Year to Date (October 31)	Year End (December 31)
5 Grid Planning & Operations	+\$0.9 M - Interconnection revenue +\$0.5 M - Employee training and business travel +\$0.2 M - Data service subscriptions +\$0.2 M - Research studies +\$0.2 M - Black Start training expense +\$0.2 M - Software +\$0.2 M - Professional services +\$0.1 M - Consulting services +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Contingent labor [Resource Management-Staffing Management] -\$0.9 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	+\$1.0 M - Interconnection revenue +\$0.5 M - Employee training and business travel +\$0.3 M - Data service subscriptions +\$0.2 M - Research studies +\$0.2 M - Black Start training expense +\$0.2 M - Software +\$0.2 M - Professional services +\$0.1 M - Consulting services +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.1 M - Other miscellaneous -\$1.2 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] -\$0.2 M - Contingent labor [Resource Management-Staffing Management] +\$0.2 M - Employee training and business travel	-\$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	+\$0.3 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 +\$0.1 M - Employee training and business travel +\$0.1 M - Other miscellaneous -\$0.1 M - Contingent labor [Resource Management-Staffing Management]
8 General Counsel	+\$0.3 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 - Data service subscriptions -\$0.1 M - Minor capital purchases <u>Timing Differences</u> -\$0.1 M - Board member recruiting expense	+\$0.3 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 - Data service subscriptions -\$0.1 M - Minor capital purchases
9 Chief Executive Office	+\$0.5 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel	+\$0.6 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel
10 Project Funded Labor	+\$0.1 M - Multiple projects [Resource Management-Project-Funded Work]	+\$0.1 M - Multiple projects [Resource Management-Project-Funded Work]
14 Project Expenditures	-\$5.2 M - Primarily due to timing differences for Data Center 5.0 (DC5) and Real Time Co-optimization (RTC)	-\$5.7 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	+\$0.1 M - Use of revolver may not be necessary
16 Interest Income	-\$12.4 M - Lower interest rate partially offset by higher investment balance	-\$15.7 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 October 31, 2020		Year End (YE) As of November 19, 2020		Life to Date As of October 31, 2020		Estimate at Completion (EAC) As of November 19, 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)	\$ 2.5	84%	\$ 3.0	8%	\$ 2.5	5%	\$ 51.6	23%	\$ 51.6	\$ 0.0
2	Energy Management System (EMS) Upgrade 2024	2.6	80%	3.3	9%	2.6	13%	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	5.2	81%	6.3	17%	5.2	7%	78.0	35%	78.0	0.0
7	Data Center 5.0 (DC5) Program	4.7	88%	5.3	14%	4.7	10%	48.0	22%	48.0	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	3.4	78%	4.4	12%	6.4	54%	11.8	5%	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	1.0	80%	1.2	3%	6.4	84%	7.6	3%	7.3	(0.2)
11	Grid Geospatial (Grid Geo) Program	1.9	87%	2.2	6%	6.6	95%	6.9	3%	6.8	(0.1)
12	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	4.2	77%	5.5	15%	4.8	76%	6.3	3%	6.4	0.0
13	Enterprise Content Alignment Program (ECAP)	1.7	74%	2.2	6%	5.3	56%	9.5	4%	9.5	0.0
14	Retail Portfolio Refresh Program	2.2	103%	2.2	6%	4.2	81%	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	1.6	94%	1.7	5%	1.6	47%	3.4	2%	3.4	0.0
17	Subtotal - Listed Projects	26.0	83%	31.2	83%	53.2	28%	189.1	85%	189.0	(0.1)
18	Other Projects	5.9	90%	6.5	17%	10.9	34%	32.3	15%	35.2	2.9
19	Total Project Expenditures	\$ 31.9	85%	\$ 37.7	100%	\$ 64.1	29%	\$ 221.4	100%	\$ 224.2	\$ 2.8

Note: Schedule may not foot due to rounding

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

(Dollars in Thousands)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 917,454	\$ 912,964
Accounts receivable	16,769	3,748
Unbilled revenue	3,182	3,105
Restricted cash and cash equivalents	655,694	554,675
Short-term investments	103,401	101,790
Prepaid expenses and other current assets	28,995	28,582
Total current assets	1,725,495	1,604,864
Property and equipment, net	112,337	110,812
Systems under development	23,870	24,711
Other Long Term Assets	644	-
Total assets	<u>\$ 1,862,346</u>	<u>\$ 1,740,387</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,841	\$ 2,939
Accrued liabilities	12,582	11,016
Deferred revenue	3,486	3,374
Market settlement liabilities	571,369	580,713
Security deposits	655,694	554,675
Notes payable, current portion	4,000	4,000
Total current liabilities	1,248,972	1,156,717
Long-term liabilities:		
Notes payable, less current portion:		
Principal	44,000	48,000
Less unamortized debt issuance costs	176	173
Notes payable less current portion and unamortized debt issuance costs	43,824	47,827
Long-term CRR liabilities	429,780	409,964
Other long-term liabilities	667	356
Total long-term liabilities	474,271	458,147
Total liabilities	1,723,243	1,614,864
Net assets without donor restrictions	139,103	125,523
Total liabilities and net assets	<u>\$ 1,862,346</u>	<u>\$ 1,740,387</u>

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

	2020	2019
Operating revenues		
System administration fees	\$ 180,137	\$ 182,247
Other services revenue	6,047	6,178
Total operating revenues	186,184	188,425
Operating expenses		
Salaries and related benefits	98,967	95,937
Facility and equipment costs	7,610	7,903
Outside services	13,393	13,684
Hardware and software maintenance and licensing	24,410	21,838
Depreciation	25,281	24,066
Other	5,445	6,156
Total operating expenses	175,106	169,584
Income from operations	11,078	18,841
Other income (expense)		
Investment return, net	4,295	17,772
Interest expense	(1,321)	(1,406)
Non-operating income	11	(1)
Change in net assets without donor restrictions	14,063	35,206
Net assets without donor restrictions, beginning of year	125,040	90,317
Net assets without donor restrictions, end of period	<u>\$ 139,103</u>	<u>\$ 125,523</u>

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

(Dollars in Thousands)

	2020	2019
Operating activities:		
Change in net assets without donor restrictions	\$ 14,063	\$ 35,206
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	25,281	24,066
Amortization of debt issuance costs	14	13
Amortization of bond discount	(213)	(993)
Net loss on capital assets	-	3
Changes in operating assets and liabilities:		
Accounts receivable	(10,913)	2,123
Unbilled revenue	(665)	31
Prepaid expenses and other assets	600	(790)
Other long-term assets	(644)	-
Other long-term liabilities	308	(70)
Accounts payable	(332)	1,108
Accrued liabilities	1,499	(49)
Deferred revenue	(2,207)	(2,292)
Security deposits	151,885	96,151
Market settlement liabilities	(120,545)	(20,115)
Long-term CRR liabilities	70,435	106,565
Net cash provided by operating activities	<u>128,566</u>	<u>240,957</u>
Investing activities:		
Purchase of Investments	(235,128)	(148,631)
Proceeds from Investments	234,037	147,777
Capital expenditures for property and equipment and systems under development	(28,166)	(19,334)
Net cash (used in) investing activities	<u>(29,257)</u>	<u>(20,188)</u>
Financing activities:		
Repayment of notes payable	(3,000)	(3,000)
Payment of debt issuance costs	(20)	-
Net cash (used in) financing activities	<u>(3,020)</u>	<u>(3,000)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	96,289	217,769
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>\$ 1,573,148</u>	<u>\$ 1,467,639</u>