



Item 7.1: Review 2021 Financial Summary

Sean Taylor

Vice President & Chief Financial Officer

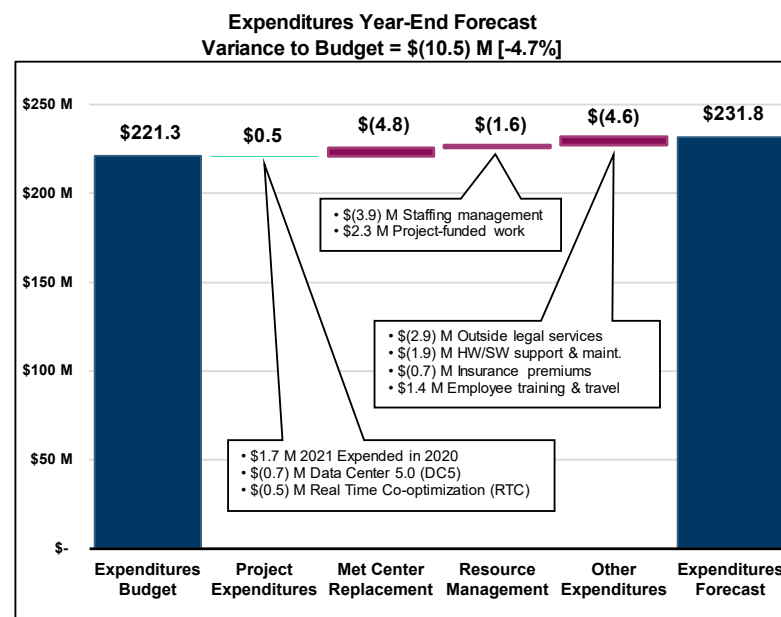
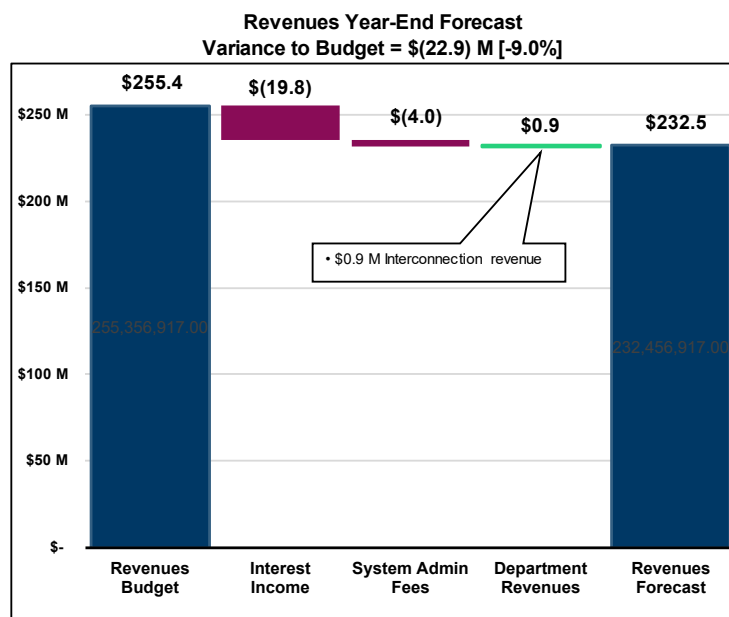
Urgent Finance & Audit Committee Meeting

ERCOT Public

April 12, 2021

Review 2021 Financial Summary: 2021 Variance to Budget (\$ in Millions)

Net Available Year-End Forecast Variance to Budget = \$(33.4) M



Charts may not foot due to rounding

Review 2021 Financial Summary: Statements of Financial Position

As of February 28, 2021 and February 29, 2020 (\$ in Millions)

	2021	2020
Assets		
Unrestricted cash	\$ 432.4	\$ 997.6
Bond investments	-	102.9
Total unrestricted cash and bond investments	432.4	1,100.5
Restricted cash	1,314.8	479.1
Other current assets	38.4	38.6
Other long-term assets	136.5	132.0
Total assets	<u>\$ 1,922.1</u>	<u>\$ 1,750.2</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 628.9	\$ 546.2
CRR auction liabilities-long term	417.8	395.2
Other market liabilities	158.9	133.6
Use of CRR for market liquidity	(800.0)	-
Total market settlement liabilities	405.6	1,075.0
Security deposits	1,314.8	479.1
Other current liabilities	24.4	22.5
Other long-term liabilities	43.3	47.8
Net assets without donor restrictions	134.0	125.8
Total liabilities and net assets	<u>\$ 1,922.1</u>	<u>\$ 1,750.2</u>

Preliminary-Unaudited



Review 2021 Financial Summary: Statements of Activities and Net Assets

For the Two Months Ended February 28, 2021 and February 29, 2020 (\$ in Millions)

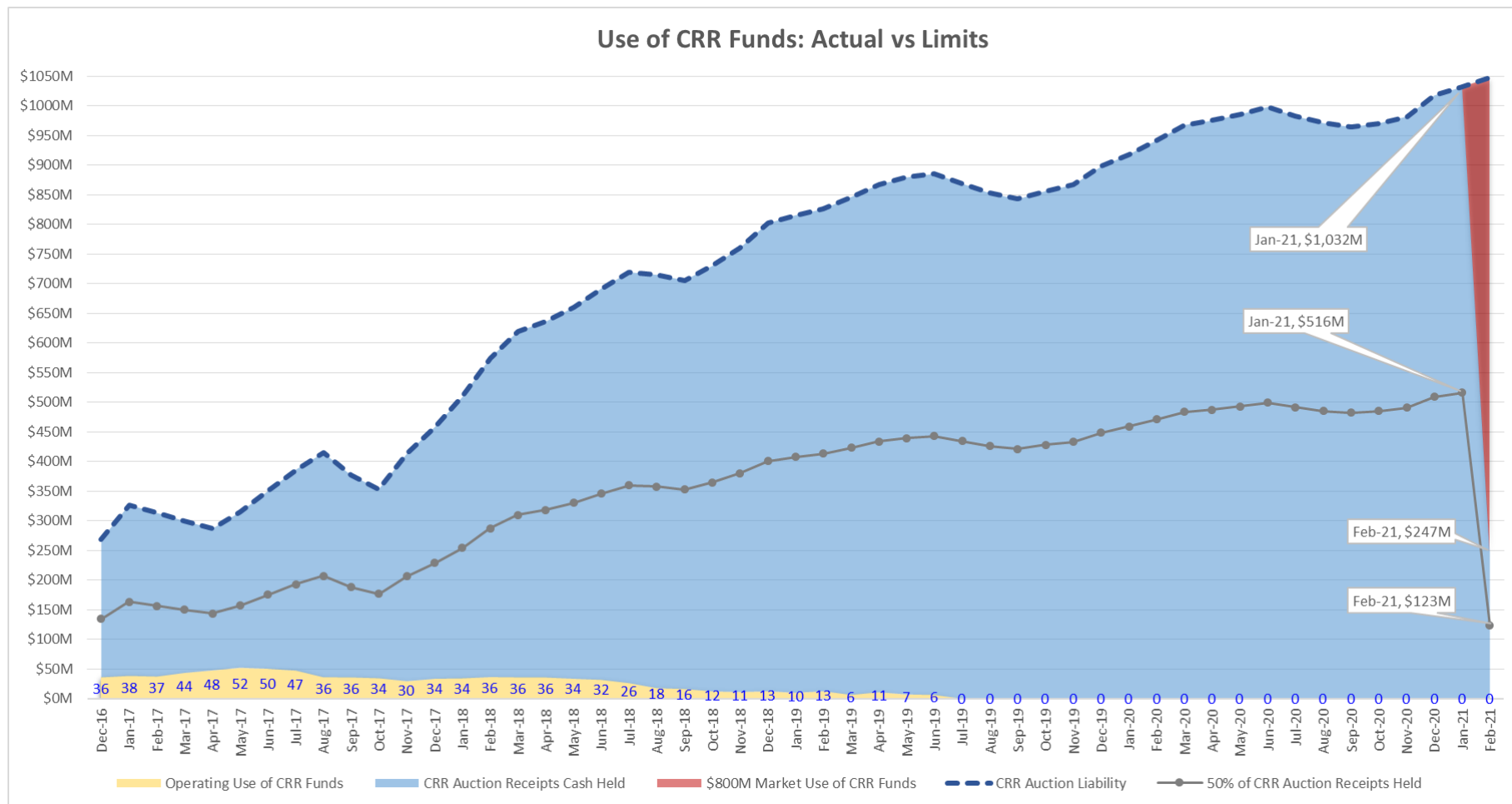
	2021	2020
Operating revenues	\$ 35.3	\$ 33.7
Operating expenses	36.4	35.2
Loss from operations	(1.1)	(1.5)
Other income	-	2.3
Change in net assets without donor restrictions	(1.1)	0.8
Net assets without donor restrictions, beginning of year	135.1	125.0
Net assets without donor restrictions, end of period	\$ 134.0	\$ 125.8

Preliminary-Unaudited



Review 2021 Financial Summary:

Use of CRR Funds: Actual vs Limits



As of February 28, 2021, Unrestricted Cash exceeded Market Liabilities by approximately \$27M.



Appendices

Electric Reliability Council of Texas, Inc. 2021 Financial Summary As of April 1, 2021 (\$ in Millions)											
		Year to Date (February 28)					Year End (December 31)				
		2020	2021				2020	2021			
					Variance					Variance	
Line		Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%
1	System Administration Revenue	\$ 31.7	\$ 33.8	\$ 33.3	\$ (0.5)	(1.6)	\$ 212.2	\$ 229.3	\$ 225.3	\$ (4.0)	(1.8)
2	Department Net Expenditures										
3	Chief Information Office	12.8	14.0	13.2	0.8	5.6	80.6	83.1	84.8	(1.7)	(2.0)
4	Chief Administrative Office	6.7	7.0	6.4	0.5	7.9	40.2	42.7	44.2	(1.5)	(3.6)
5	Grid Planning & Operations	4.5	5.2	5.1	0.0	0.4	32.8	34.3	34.9	(0.6)	(1.6)
6	Commercial Operations	2.8	2.8	2.8	(0.0)	(1.3)	16.0	16.6	17.0	(0.3)	(2.0)
7	External Affairs & Corporate Communications	1.1	1.2	1.2	0.0	2.1	6.4	7.4	7.0	0.3	4.2
8	General Counsel	0.9	1.0	1.0	(0.0)	(3.2)	5.4	6.0	8.8	(2.8)	(46.1)
9	Chief Executive Office	0.4	0.4	0.4	(0.1)	(17.6)	2.1	2.8	3.1	(0.3)	(10.4)
10	Project Funded Labor	(1.5)	(2.0)	(1.6)	(0.3)	(17.0)	(11.9)	(11.8)	(13.5)	1.6	13.7
11	Total Department Net Expenditures	27.7	29.5	28.6	0.9	3.1	171.6	181.1	186.4	(5.3)	(2.9)
12	Net Revenues After Department Expenditures	4.0	4.3	4.7	0.4	8.9	40.6	48.2	38.9	(9.3)	(19.3)
13											
14	Project Expenditures										
15	Current Budget Year Project Expenditures	3.1	5.4	4.4	0.9	17.3	36.5	32.3	33.5	(1.2)	(3.7)
16	2021 Budget Expended in 2020	0.1	0.3	0.0	0.3	100.0	1.7	1.7	0.0	1.7	100.0
17	Less: Total Project Expenditures	3.2	5.7	4.4	1.2	21.5	38.2	34.0	33.5	0.5	1.5
18	Less: Met Center Replacement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	(4.8)	0.0
19	Less: Interest Expense	0.3	0.3	0.2	0.0	16.4	1.6	1.5	1.5	0.0	0.6
20	Add: Interest Income	2.6	3.3	0.2	(3.2)	(94.7)	4.3	20.0	0.2	(19.8)	(99.1)
21											
22	Net Available	\$ 3.1	\$ 1.7	\$ 0.2	\$ (1.5)	(88.6)	\$ 5.2	\$ 32.7	\$ (0.7)	\$ (33.4)	(102.3)
Note: Schedule may not foot due to rounding											

Electric Reliability Council of Texas, Inc. 2021 Financial Summary Variance Explanations As of April 1, 2021			
Line	Year to Date (February 28)		Year End (December 31)
1 System Administration Revenue	-\$1.8 M - Weaker economy +\$1.3 M - Weather		-\$4.0 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$0.5 M - HW/SW support and maintenance renewals -\$0.5 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - WAN costs +\$0.5 M - Contingent labor [Resource Management-Staffing Management] +\$0.4 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.1 M - Employee training and business travel +\$0.1 M - WAN revenues <u>Timing Differences</u> +\$0.7 M - Common infrastructure purchases +\$0.2 M - Minor capital purchases +\$0.1 M - WAN revenues -\$0.2 M - WAN costs		-\$1.9 M - HW/SW support and maintenance renewals -\$1.8 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - WAN costs +\$1.0 M - Contingent labor [Resource Management-Staffing Management] +\$0.7 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.3 M - Employee training and business travel +\$0.1 M - WAN revenues
4 Chief Administrative Office	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Software +\$0.1 M - Employee training and business travel +\$0.1 M - Property tax +\$0.1 M - Professional services +\$0.1 M - Electricity <u>Timing Differences</u> +\$0.2 M - Professional services +\$0.1 M - Maintenance and repair		-\$0.8 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.7 M - Insurance premiums -\$0.6 M - Cyber security monitoring service -\$0.3 M - Software +\$0.4 M - Employee training and business travel +\$0.3 M - Property tax +\$0.1 M - Professional services +\$0.1 M - Electricity

Electric Reliability Council of Texas, Inc.
2021 Financial Summary Variance Explanations
As of April 1, 2021

Line	Year to Date (February 28)	Year End (December 31)
5 Grid Planning & Operations	-\$0.6 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Black Start Training revenue +\$0.4 M - Interconnection revenue +\$0.1 M - Employee training and business travel +\$0.1 M - Black Start Training and Operator Training Seminar expense <u>Timing Differences</u> +\$0.1 M - Data service subscriptions	-\$2.0 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Black Start Training revenue +\$0.9 M - Interconnection revenue +\$0.4 M - Employee training and business travel +\$0.1 M - Black Start Training and Operator Training Seminar expense +\$0.1 M - Other miscellaneous
6 Commercial Operations	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] <u>Timing Differences</u> +\$0.1 M - Other miscellaneous	-\$0.4 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel
7 External Affairs & Corporate Communications	No material variance	+\$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	No material variance	-\$2.9 M - Outside legal services +\$0.1 M - Employee training and business travel
9 Chief Executive Office	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]	-\$0.2 M - Professional services -\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management]
10 Project Funded Labor	-\$0.3 M - Multiple projects [Resource Management-Project-Funded Work]	+\$1.6 M - Multiple projects [Resource Management-Project-Funded Work]
17 Project Expenditures	+\$1.2 M - Multiple projects	+\$0.5 M - Multiple projects
18 Met Center Replacement	No material variance	-\$4.8 M - Tenant improvements
19 Interest Expense	No material variance	No material variance
20 Interest Income	-\$3.2 M - Lower interest rate partially offset by higher investment balance	-\$19.8 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 February 28, 2021		Year End (YE) As of April 1, 2021		Life to Date As of February 28, 2021		Estimate at Completion (EAC) As of April 1, 2021			
		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)	\$ 0.2	3%	\$ 5.5	3%	\$ 2.9	6%	\$ 51.6	27%	\$ 51.6	\$ 0.0
2	Energy Management System (EMS) Upgrade 2024	0.8	10%	7.7	18%	4.1	15%	27.1	14%	27.1	0.0
3	Battery Energy Storage (BES)	0.0	2%	0.7	0%	0.0	1%	5.1	3%	5.1	0.0
4	NPRR863 ERCOT Contingency Reserve Service (ECRS)	0.0	1%	0.2	0%	0.0	0%	1.2	1%	1.2	0.0
5	Distributed Generation Resources (DGR)	0.0	0%	0.0	0%	0.0	0%	0.5	0%	0.5	0.0
6	Subtotal - Passport Program Projects	1.0	7%	14.2	22%	7.0	8%	85.5	44%	85.5	0.0
7	Data Center 5.0 (DC5) Program	0.4	61%	0.7	9%	5.2	11%	48.0	25%	48.0	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	0.8	18%	4.3	17%	8.1	69%	11.8	6%	11.8	0.0
9	Enterprise Content Alignment Program (ECAP)	0.5	15%	3.0	11%	3.5	55%	6.3	3%	6.3	0.0
10	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.1	13%	0.7	2%	5.4	84%	6.4	3%	6.4	0.0
11	Retail Portfolio Refresh Program	0.1	12%	0.9	2%	4.3	85%	5.1	3%	5.1	0.0
12	Grid Geospatial (Grid Geo) Program	0.1	33%	0.2	2%	4.2	100%	4.2	2%	4.3	0.0
13	Delivery Tool Chain Modernization	0.1	5%	1.7	2%	1.7	50%	3.4	2%	3.4	0.0
14	Subtotal - Listed Projects	3.0	12%	25.7	67%	39.5	23%	170.8	88%	170.8	0.0
15	Other Projects	1.5	19%	7.8	33%	8.5	37%	23.0	12%	24.9	1.9
16	Total Project Expenditures	\$ 4.4	13%	\$ 33.5	100%	\$ 48.0	25%	\$ 193.7	100%	\$ 195.7	\$ 1.9

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Financial Position
As of February 28, 2021 and February 29, 2020
(Dollars in Thousands)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 432,400	\$ 997,567
Accounts receivable	2,754	3,460
Unbilled revenue	3,318	3,187
Restricted cash and cash equivalents	1,314,838	479,121
Short-term investments	-	102,514
Prepaid expenses and other current assets	32,251	32,319
Total current assets	1,785,561	1,618,168
Property and equipment, net	104,898	111,820
Systems under development	31,126	19,224
Other Long Term Assets	499	945
Total assets	<u>\$ 1,922,084</u>	<u>\$ 1,750,157</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,596	\$ 7,035
Accrued liabilities	10,962	9,595
Deferred revenue	1,876	1,847
Market settlement liabilities	(12,216)	679,758
Security deposits	1,314,838	479,121
Notes payable, current portion	4,000	4,000
Total current liabilities	1,327,056	1,181,356
Long-term liabilities:		
Notes payable, less current portion:		
Principal	43,000	47,000
Less unamortized debt issuance costs	170	176
Notes payable less current portion and unamortized debt issuance costs	42,830	46,824
Long-term CRR liabilities	417,758	395,199
Other long-term liabilities	490	970
Total long-term liabilities	461,078	442,993
Total liabilities	1,788,134	1,624,349
Net assets without donor restrictions	133,950	125,808
Total liabilities and net assets	<u>\$ 1,922,084</u>	<u>\$ 1,750,157</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Activities and Net Assets****For the Two Months Ended February 28, 2021 and February 29, 2020**

(Dollars in Thousands)

	2021	2020
Operating revenues		
System administration fees	\$ 33,301	\$ 31,719
Other services revenue	1,982	1,953
Total operating revenues	35,283	33,672
Operating expenses		
Salaries and related benefits	22,001	20,533
Facility and equipment costs	1,764	1,675
Outside services	2,281	2,336
Hardware and software maintenance and licensing	4,854	4,268
Depreciation	4,596	5,079
Other	925	1,315
Total operating expenses	36,421	35,206
Loss from operations	(1,138)	(1,534)
Other income (expense)		
Investment return, net	176	2,595
Interest expense	(214)	(295)
Non-operating income	2	2
Change in net assets without donor restrictions	(1,174)	768
Net assets without donor restrictions, beginning of year	135,124	125,040
Net assets without donor restrictions, end of period	\$ 133,950	\$ 125,808

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Two Months Ended February 28, 2021 and February 29, 2020**

(Dollars in Thousands)

	2021	2020
Operating activities:		
Change in net assets without donor restrictions	\$ (1,174)	\$ 768
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	4,596	5,079
Amortization of debt issuance costs	3	2
Amortization of bond premium (discount)	290	(39)
Net (gain) loss on capital assets	(2)	1
Changes in operating assets and liabilities:		
Accounts receivable	2,269	2,396
Unbilled revenue	(711)	(670)
Prepaid expenses and other assets	(4,992)	(2,724)
Other long-term assets	72	(945)
Other long-term liabilities	(107)	611
Accounts payable	3,802	4,742
Accrued liabilities	(2,239)	(1,293)
Deferred revenue	(3,969)	(3,846)
Security deposits	656,279	(24,688)
Market settlement liabilities	(701,599)	(12,156)
Long-term CRR liabilities	40,711	35,854
Net cash (used in) provided by operating activities	(6,771)	3,092
Investing activities:		
Purchase of Investments	(27,830)	(65,599)
Proceeds from Investments	130,505	65,221
Capital expenditures for property and equipment and systems under development	(3,564)	(2,877)
Proceeds from sale of property and equipment	2	-
Net cash provided by (used in) investing activities	99,113	(3,255)
Financing activities:		
Payment of debt issuance costs	-	(8)
Net cash (used in) financing activities	-	(8)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	92,342	(171)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	1,654,896	1,476,859
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 1,747,238	\$ 1,476,688