



Item 4: Review 2021 Financial Summary

Sean Taylor

Vice President and Chief Financial Officer

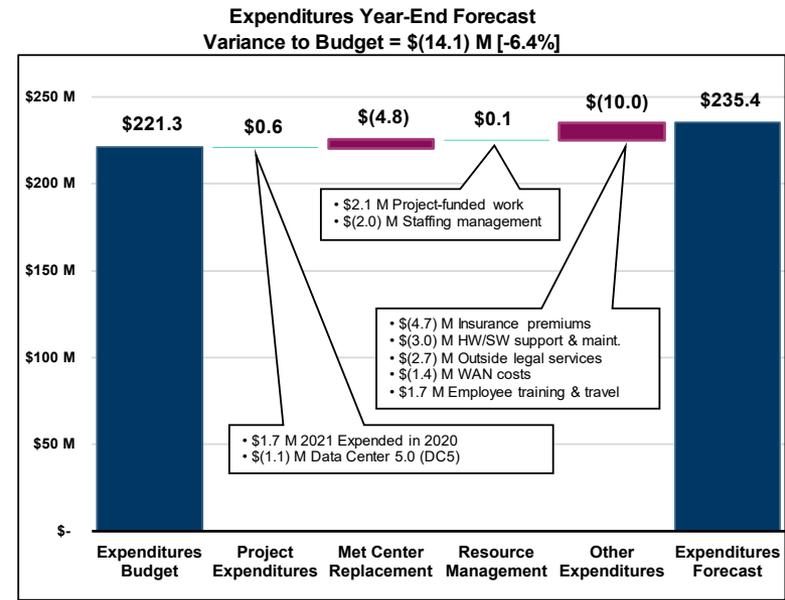
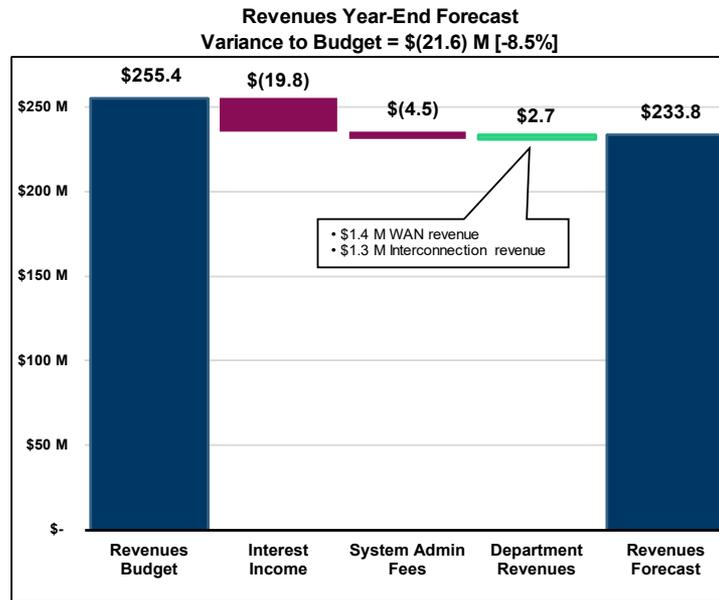
Urgent Finance & Audit Committee Meeting

ERCOT Public

June 7, 2021

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

Net Available Year-End Forecast Variance to Budget = \$(35.7) M



Charts may not foot due to rounding



Review 2021 Financial Summary: Statements of Financial Position

As of April 30, 2021 and 2020 (\$ in Millions)

	<u>2021</u>	<u>2020</u>
Assets		
Unrestricted cash	\$ 346.2	\$ 991.2
Bond investments	-	103.2
Total unrestricted cash and bond investments	<u>346.2</u>	<u>1,094.4</u>
Restricted cash	554.6	481.5
Other current assets	31.7	46.8
Other long-term assets	137.3	133.8
Total assets	<u>\$ 1,069.8</u>	<u>\$ 1,756.5</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 588.0	\$ 527.9
CRR auction liabilities-long term	489.6	446.9
Other market liabilities	37.9	110.0
Use of CRR for market liquidity	(793.9)	-
Total market settlement liabilities	<u>321.6</u>	<u>1,084.8</u>
Security deposits	554.6	481.5
Other current liabilities	21.4	20.4
Other long-term liabilities	42.3	46.7
Net assets without donor restrictions	129.9	123.1
Total liabilities and net assets	<u>\$ 1,069.8</u>	<u>\$ 1,756.5</u>

Preliminary-Unaudited



Review 2021 Financial Summary: Statements of Activities and Net Assets

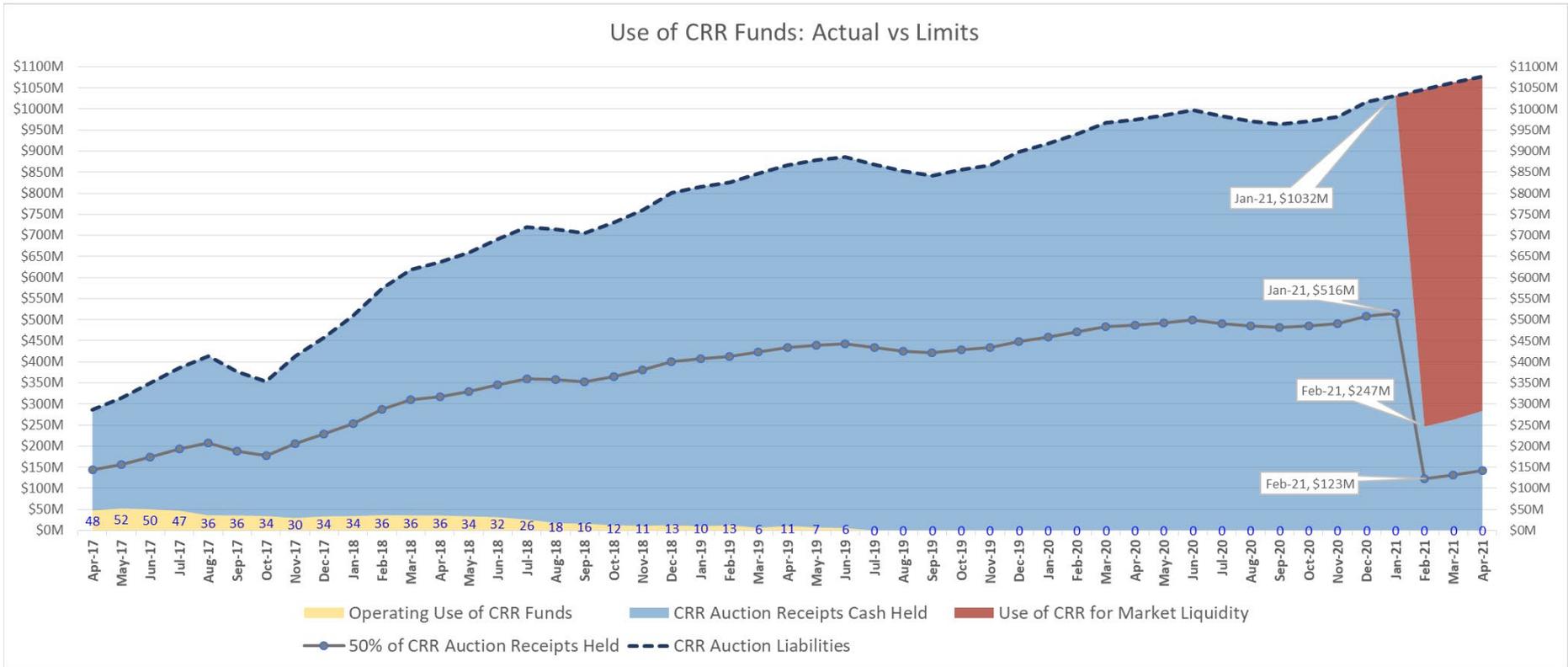
For the Four Months Ended April 30, 2021 and 2020 (\$ in Millions)

	2021	2020
Operating revenues	\$ 67.8	\$ 65.0
Operating expenses	72.8	70.1
Loss from operations	(5.0)	(5.1)
Other (expense) income	(0.2)	3.2
Change in net assets without donor restrictions	(5.2)	(1.9)
Net assets without donor restrictions, beginning of year	135.1	125.0
Net assets without donor restrictions, end of period	\$ 129.9	\$ 123.1

Preliminary-Unaudited



Review 2021 Financial Summary: Use of CRR Funds: Actual vs Limits



As of April 30, 2021, Unrestricted Cash exceeded Market Liabilities by approximately \$25M.



Appendices

Electric Reliability Council of Texas, Inc. 2021 Financial Summary As of May 25, 2021 (\$ in Millions)		Year to Date (April 30)					Year End (December 31)				
		2020	2021			Variance		2020	2021		
Line	Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%	
1	\$ 62.4	\$ 66.8	\$ 64.1	\$ (2.7)	(4.0)	\$ 212.2	\$ 229.3	\$ 224.8	\$ (4.5)	(2.0)	
2	Department Net Expenditures										
3	26.4	28.1	27.1	0.9	3.3	80.6	83.1	84.2	(1.1)	(1.4)	
4	13.6	14.0	12.8	1.2	8.8	40.2	42.7	47.2	(4.5)	(10.6)	
5	10.3	10.9	10.5	0.4	3.3	32.8	34.3	34.3	0.0	0.0	
6	5.6	5.5	5.5	0.0	0.3	16.0	16.6	16.7	(0.1)	(0.6)	
7	2.2	2.4	2.3	0.1	4.4	6.4	7.4	7.4	(0.1)	(0.9)	
8	1.9	2.0	2.4	(0.4)	(17.7)	5.4	6.0	8.7	(2.7)	(44.4)	
9	0.7	0.8	0.8	(0.1)	(8.1)	2.1	2.8	3.1	(0.3)	(10.1)	
10	(3.6)	(3.9)	(3.6)	(0.3)	(8.1)	(11.9)	(11.8)	(13.2)	1.3	11.2	
11	57.2	59.7	57.8	1.9	3.2	171.6	181.1	188.5	(7.4)	(4.1)	
12	5.2	7.1	6.3	(0.8)	(11.4)	40.6	48.2	36.2	(12.0)	(24.8)	
13											
14	Project Expenditures										
15	9.7	10.8	10.8	(0.0)	(0.0)	36.5	32.3	33.4	(1.1)	(3.4)	
16	0.6	0.6	0.0	0.6	100.0	1.7	1.7		1.7	100.0	
17	10.3	11.3	10.8	0.6	5.0	38.2	34.0	33.4	0.6	1.8	
18	0.0	0.0	0.0	0.0	100.0	0.0	0.0	4.8	(4.8)	0.0	
19	0.6	0.5	0.4	0.1	12.9	1.6	1.5	1.3	0.2	14.8	
20	3.8	6.7	0.2	(6.5)	(97.4)	4.3	20.0	0.2	(19.8)	(99.0)	
21											
22	\$ (1.9)	\$ 2.0	\$ (4.7)	\$ (6.7)	(340.8)	\$ 5.2	\$ 32.7	\$ (3.1)	\$ (35.7)	(109.4)	

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2021 Financial Summary Variance Explanations As of May 25, 2021		
Line	Year to Date (April 30)	Year End (December 31)
1 System Administration Revenue	-\$3.4 M - Weaker economy +\$0.7 M - Weather	-\$4.5 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 -\$0.7 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.5 M - Wide Area Network (WAN) costs +\$0.9 M - Contingent labor [Resource Management-Staffing Management] +\$0.5 M - Wide Area Network (WAN) revenues +\$0.5 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.2 M - Employee training and business travel <u>Timing Differences</u> +\$0.9 M - Common infrastructure purchases +\$0.3 M - Minor capital purchases +\$0.1 M - Data Center Maintenance	-\$3.0 M - HW/SW support and maintenance renewals -\$1.9 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$1.4 M - Wide Area Network (WAN) costs +\$2.6 M - Contingent labor [Resource Management-Staffing Management] +\$1.4 M - Wide Area Network (WAN) revenues +\$0.7 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.5 M - Employee training and business travel
4 Chief Administrative Office	-\$0.2 M - Cyber security monitoring services -\$0.2 M - Software +\$0.6 M - Professional services +\$0.2 M - Employee training and business travel +\$0.1 M - Property tax +\$0.2 M - Electricity +\$0.1 M - Equipment and tools <u>Timing Differences</u> +\$0.2 M - Professional services +\$0.1 M - Office rent +\$0.1 M - Minor capital purchases	-\$4.7 M - Insurance premiums -\$0.6 M - Cyber security monitoring services -\$0.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.4 M - Software +\$0.7 M - Professional services +\$0.5 M - Employee training and business travel +\$0.3 M - Property tax +\$0.2 M - Electricity +\$0.1 M - Equipment and tools

Electric Reliability Council of Texas, Inc. 2021 Financial Summary Variance Explanations As of May 25, 2021		
Line	Year to Date (April 30)	Year End (December 31)
5 Grid Planning & Operations	+\$0.6 M - Interconnection revenue +\$0.2 M - Employee training and business travel +\$0.1 M - Black Start Training and Operator Training Seminar expense -\$0.8 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Other miscellaneous <u>Timing Differences</u> +\$0.1 M - Research/studies +\$0.1 M - Data service subscriptions +\$0.1 M - Black Start Training and Operator Training Seminar expense -\$0.1 M - Black Start Training revenue	+\$1.3 M - Interconnection revenue +\$0.4 M - Employee training and business travel +\$0.1 M - Black Start Training and Operator Training Seminar expense -\$1.8 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Training subscriptions +\$0.1 M - Other miscellaneous
6 Commercial Operations	-\$0.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel	-\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Professional services +\$0.1 M - Employee training and business travel +\$0.1 M - Other miscellaneous
7 External Affairs & Corporate Communications	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management]	-\$0.4 M - Professional services -\$0.1 M - Contingent labor [Resource Management-Staffing Management] +\$0.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel
8 General Counsel	-\$0.4 M - Outside legal services -\$0.1 M - Professional services +\$0.1 M - Board member expense	-\$2.7 M - Outside legal services -\$0.2 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.1 M - Professional services +\$0.1 M - Board member expense +\$0.1 M - Employee training and business travel +\$0.1 M - Other miscellaneous
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]	+\$1.4 M - Multiple projects [Resource Management-Project-Funded Work]
17 Project Expenditures	+\$0.6 M - Multiple projects	+\$0.6 M - Multiple projects
18 Met Center Replacement	No material variance	-\$4.8 M - Tenant improvements
19 Interest Expense	+\$0.1 M - Capitalized interest higher than budgeted	+\$0.2 M - Capitalized interest higher than budgeted
20 Interest Income	-\$6.5 M - Lower interest rate and lower investment balance	-\$19.8 M - Lower interest rate and lower investment balance

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

Line	Project	Year to Date As of April 30, 2021		Year End (YE) As of May 25, 2021		Life to Date As of April 30, 2021		Estimate at Completion (EAC) As of May 25, 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)	\$ 0.5	11%	\$ 5.0	5%	\$ 3.3	6%	\$ 51.6	26%	\$ 51.6	\$ 0.0
2	Energy Management System (EMS) Upgrade 2024	2.0	27%	7.4	18%	5.2	19%	27.1	14%	27.1	0.0
3	Battery Energy Storage (BES)	0.0	8%	0.6	0%	0.1	1%	5.1	3%	5.1	0.0
4	NPRR863 ERCOT Contingency Reserve Service (ECRS)	0.0	8%	0.2	0%	0.0	1%	1.2	1%	1.2	0.0
5	Distributed Generation Resources (DGR)	0.0	9%	0.0	0%	0.0	1%	0.5	0%	0.5	0.0
6	Subtotal - Passport Program Projects	2.6	20%	13.1	24%	8.6	10%	85.5	43%	85.5	0.0
7	Data Center 5.0 (DC5) Program	0.5	43%	1.1	4%	5.3	11%	48.0	24%	48.0	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	1.8	37%	4.7	16%	9.1	71%	12.9	7%	12.9	0.0
9	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	0.3	30%	1.1	3%	5.6	88%	6.4	3%	6.4	0.0
10	Enterprise Content Alignment Program (ECAP)	1.0	34%	3.1	10%	4.1	64%	6.3	3%	6.3	0.0
11	Retail Portfolio Refresh Program	0.4	98%	0.4	4%	4.6	90%	5.1	3%	5.1	0.0
12	Grid Geospatial (Grid Geo) Program	0.2	117%	0.2	2%	4.4	100%	4.4	2%	4.4	0.0
13	Delivery Tool Chain Modernization	0.6	37%	1.8	6%	2.3	67%	3.4	2%	3.4	0.0
14	Subtotal - Listed Projects	7.5	29%	25.6	69%	44.0	26%	172.0	87%	172.0	0.0
15	Other Projects	3.3	42%	7.8	31%	10.1	39%	25.7	13%	27.3	1.6
16	Total Project Expenditures	\$ 10.8	32%	\$ 33.4	100%	\$ 54.0	27%	\$ 197.7	100%	\$ 199.3	\$ 1.6

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of April 30, 2021 and 2020**

(Dollars in Thousands)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 346,212	\$ 991,246
Accounts receivable	2,232	17,267
Unbilled revenue	2,812	2,597
Restricted cash and cash equivalents	554,565	481,536
Short-term investments	-	102,613
Prepaid expenses and other current assets	26,684	27,246
Total current assets	932,505	1,622,505
Long-term investments	-	253
Property and equipment, net	100,969	110,121
Systems under development	35,909	22,778
Other Long Term Assets	456	860
Total assets	<u>\$ 1,069,839</u>	<u>\$ 1,756,517</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,047	\$ 2,468
Accrued liabilities	11,969	10,468
Deferred revenue	3,461	3,418
Market settlement liabilities	(168,024)	637,901
Security deposits	554,565	481,536
Notes payable, current portion	4,000	4,000
Total current liabilities	408,018	1,139,791
Long-term liabilities:		
Notes payable, less current portion:		
Principal	42,000	46,000
Less unamortized debt issuance costs	167	185
Notes payable less current portion and unamortized debt issuance costs	41,833	45,815
Long-term CRR liabilities	489,639	446,926
Other long-term liabilities	454	877
Total long-term liabilities	531,926	493,618
Total liabilities	939,944	1,633,409
Net assets without donor restrictions	129,895	123,108
Total liabilities and net assets	<u>\$ 1,069,839</u>	<u>\$ 1,756,517</u>

Preliminary-Unaudited

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Four Months Ended April 30, 2021 and 2020
(Dollars in Thousands)

	2021	2020
Operating revenues		
System administration fees	\$ 64,114	\$ 62,378
Other services revenue	3,665	2,618
Total operating revenues	67,779	64,996
Operating expenses		
Salaries and related benefits	42,491	40,197
Facility and equipment costs	3,498	3,227
Outside services	5,051	5,165
Hardware and software maintenance and licensing	10,357	9,137
Depreciation	9,241	10,197
Other	2,103	2,213
Total operating expenses	72,741	70,136
Loss from operations	(4,962)	(5,140)
Other income (expense)		
Investment return, net	173	3,774
Interest expense	(442)	(569)
Non-operating income	2	3
Change in net assets without donor restrictions	(5,229)	(1,932)
Net assets without donor restrictions, beginning of year	135,124	125,040
Net assets without donor restrictions, end of period	\$ 129,895	\$ 123,108

Preliminary-Unaudited

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Cash Flows

For the Four Months Ended April 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Operating activities:		
Change in net assets without donor restrictions	\$ (5,229)	\$ (1,932)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	9,241	10,197
Amortization of debt issuance costs	6	5
Amortization of bond premium (discount)	290	(139)
Net (gain) loss on capital assets	(2)	-
Changes in operating assets and liabilities:		
Accounts receivable	2,791	(11,411)
Unbilled revenue	(205)	(80)
Prepaid expenses and other assets	575	2,349
Other long-term assets	115	(860)
Other long-term liabilities	(143)	518
Accounts payable	(1,608)	377
Accrued liabilities	(1,263)	(1,034)
Deferred revenue	(2,384)	(2,275)
Security deposits	(103,994)	(22,273)
Market settlement liabilities	(857,407)	(54,013)
Long-term CRR liabilities	112,592	87,581
Net cash (used in) provided by operating activities	<u>(846,625)</u>	<u>7,010</u>
Investing activities:		
Purchase of Investments	(27,830)	(104,519)
Proceeds from Investments	130,505	103,889
Capital expenditures for property and equipment and systems under development	(9,171)	(9,437)
Proceeds from sale of property and equipment	2	-
Net cash provided by (used in) investing activities	<u>93,506</u>	<u>(10,067)</u>
Financing activities:		
Repayment of notes payable	(1,000)	(1,000)
Payment of debt issuance costs	-	(20)
Net cash (used in) financing activities	<u>(1,000)</u>	<u>(1,020)</u>
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(754,119)	(4,077)
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	<u>\$ 900,777</u>	<u>\$ 1,472,782</u>