



Item 8.1: Review 2021 Financial Summary

Sean Taylor

Vice President and Chief Financial Officer

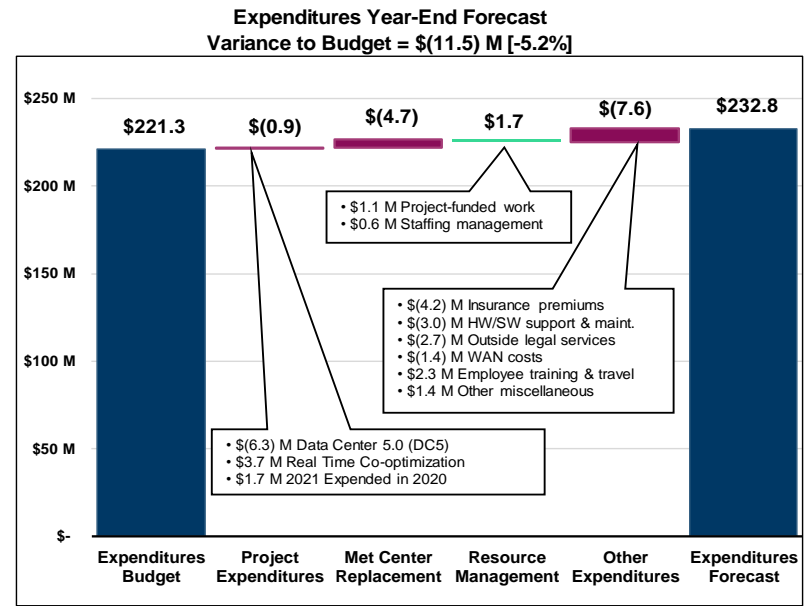
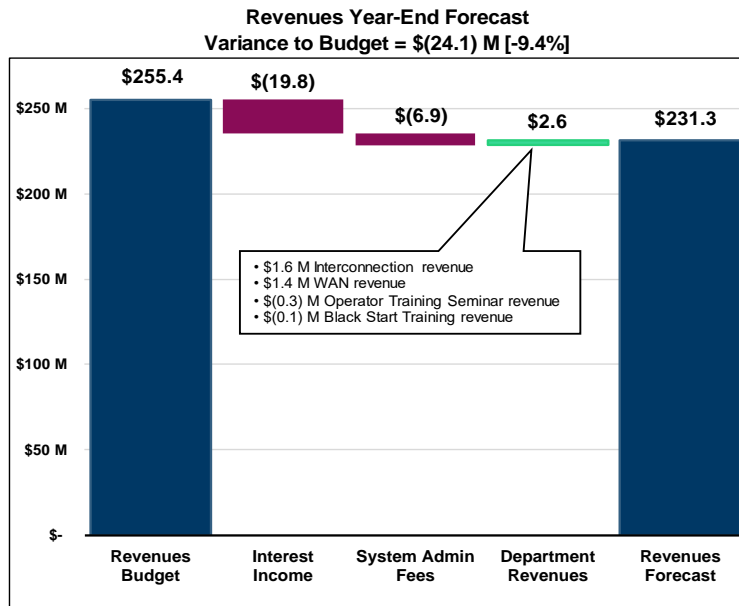
Urgent Finance & Audit Committee Meeting

ERCOT Public

August 9, 2021

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

Net Available Year-End Forecast Variance to Budget = \$(35.6) M



Charts may not foot due to rounding



Review 2021 Financial Summary: Statements of Financial Position

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

	<u>2021</u>	<u>2020</u>
Assets		
Unrestricted cash	\$ 429.6	\$ 936.4
Bond investments	-	103.3
Total unrestricted cash and bond investments	429.6	1,039.7
Restricted cash	628.8	497.7
Other current assets	39.6	53.6
Other long-term assets	151.1	137.1
Total assets	<u>\$ 1,249.1</u>	<u>\$ 1,728.1</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 674.9	\$ 610.2
CRR auction liabilities-long term	427.2	387.6
Other market liabilities	66.7	32.4
Use of CRR for market liquidity	(765.9)	-
Total market settlement liabilities	402.9	1,030.2
Security deposits	628.8	497.7
Other current liabilities	44.0	29.1
Other long-term liabilities	41.3	45.6
Net assets without donor restrictions	132.1	125.5
Total liabilities and net assets	<u>\$ 1,249.1</u>	<u>\$ 1,728.1</u>

Preliminary-Unaudited



Review 2021 Financial Summary: Statements of Activities and Net Assets

For the Six Months Ended June 30, 2021 and 2020 (\$ in Millions)

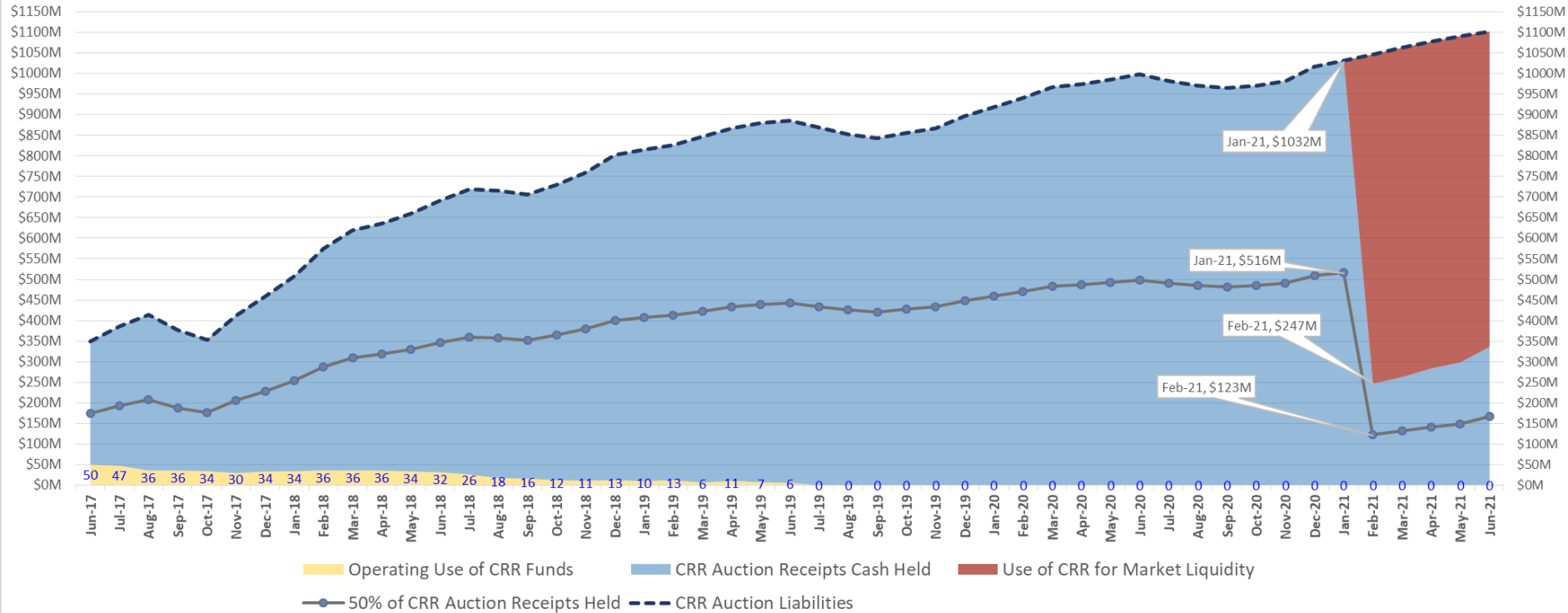
	2021	2020
Operating revenues	\$ 107.5	\$ 103.1
Operating expenses	110.0	105.8
Loss from operations	(2.5)	(2.7)
Other (expense) income	(0.5)	3.2
Change in net assets without donor restrictions	(3.0)	0.5
Net assets without donor restrictions, beginning of year	135.1	125.0
Net assets without donor restrictions, end of period	\$ 132.1	\$ 125.5

Preliminary-Unaudited



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

Use of CRR Funds: Actual vs Limits



As of June 30, 2021, Unrestricted Cash exceeded Market Liabilities by approximately \$27M.



Appendices

Electric Reliability Council of Texas, Inc. 2021 Financial Summary As of July 29, 2021 (\$ in Millions)										
Line	Year to Date (June 30)					Year End (December 31)				
	2020	2021				2020	2021			
	Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%
1	\$ 99.5	\$ 107.9	\$ 102.5	\$ (5.4)	(5.0)	\$ 212.2	\$ 229.3	\$ 222.4	\$ (6.9)	(3.0)
2	Department Net Expenditures									
3	39.9	42.0	41.5	0.5	1.1	80.6	83.1	84.0	(0.9)	(1.1)
4	20.4	21.9	20.1	1.8	8.2	41.0	43.6	45.5	(1.9)	(4.5)
5	15.9	16.5	15.9	0.6	3.7	32.8	34.3	33.3	1.0	3.0
6	8.4	8.3	8.2	0.1	1.6	16.0	16.6	16.5	0.1	0.7
7	3.3	3.5	3.3	0.2	5.9	6.4	7.3	6.6	0.6	8.5
8	2.4	2.6	3.5	(0.9)	(33.2)	4.7	5.3	8.1	(2.8)	(53.0)
9	1.1	1.1	1.1	0.0	1.1	2.1	2.8	2.8	0.0	0.9
10	(5.5)	(5.9)	(5.4)	(0.6)	(9.4)	(11.9)	(11.8)	(12.3)	0.4	3.7
11	85.8	90.2	88.4	1.8	2.0	171.6	181.1	184.5	(3.4)	(1.9)
12	13.6	17.8	14.2	(3.6)	(20.3)	40.6	48.2	37.9	(10.3)	(21.4)
13										
14	Project Expenditures									
15	20.2	16.2	17.7	(1.6)	(9.8)	36.5	32.3	34.9	(2.6)	(8.0)
16	0.8	0.8	0.0	0.8	100.0	1.7	1.7	0.0	1.7	100.0
17	21.0	16.9	17.7	(0.8)	(4.7)	38.2	34.0	34.9	(0.9)	(2.6)
18	0.0	0.0	0.2	(0.2)	0.0	0.0	0.0	4.7	(4.7)	0.0
19	0.8	0.8	0.7	0.1	9.9	1.6	1.5	1.4	0.1	6.6
20	4.1	10.0	0.2	(9.8)	(98.2)	4.3	20.0	0.2	(19.8)	(99.0)
21										
22	\$ (4.1)	\$ 10.1	\$ (4.2)	\$ (14.3)	(141.9)	\$ 5.2	\$ 32.7	\$ (3.0)	\$ (35.6)	(109.0)

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2021 Financial Summary Variance Explanations As of July 29, 2021		
Line	Year to Date (June 30)	Year End (December 31)
1 System Administration Revenue	-\$5.2 M - Weaker economy -\$0.2 M - Weather	-\$6.9 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$2.2 M - HW/SW support and maintenance renewals -\$0.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.6 M - Wide Area Network (WAN) costs -\$0.1 M - Data service subscriptions +\$1.4 M - Contingent labor [Resource Management - Staffing Management] +\$0.6 M - Wide Area Network (WAN) revenues +\$0.5 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.3 M - Employee training and business travel <u>Timing Differences</u> +\$0.9 M - Common infrastructure purchases +\$0.4 M - Minor capital purchases +\$0.2 M - Data Center maintenance -\$0.1 M - Professional services	-\$3.0 M - HW/SW support and maintenance renewals -\$1.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$1.4 M - Wide Area Network (WAN) costs -\$0.3 M - Data service subscriptions +\$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] +\$0.6 M - Employee training and business travel +\$0.1 M - Other miscellaneous
4 Chief Administrative Office	-\$0.6 M - Insurance premiums -\$0.3 M - Cyber monitoring services -\$0.3 M - Software +\$1.1 M - Professional services +\$0.3 M - Employee training and business travel +\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.3 M - Electricity +\$0.2 M - Property tax +\$0.2 M - Minor capital purchases +\$0.2 M - Equipment and tools +\$0.1 M - Maintenance and repair <u>Timing Differences</u> +\$0.3 M - Minor capital purchases +\$0.1 M - Office rent	-\$4.2 M - Insurance premiums -\$0.6 M - Cyber monitoring services -\$0.4 M - Software +\$1.1 M - Professional services +\$0.7 M - Employee training and business travel +\$0.3 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.3 M - Electricity +\$0.3 M - Property tax +\$0.2 M - Minor capital purchases +\$0.2 M - Equipment and tools +\$0.1 M - Maintenance and repair +\$0.1 M - Other miscellaneous

Electric Reliability Council of Texas, Inc.
2021 Financial Summary Variance Explanations
As of July 29, 2021

Line	Year to Date (June 30)	Year End (December 31)
5 Grid Planning & Operations	+\$0.9 M - Interconnection revenue +\$0.3 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 - Operator Training Seminar expense +\$0.1 M - Data service subscriptions -\$0.8 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.2 M - Operator Training Seminar revenue -\$0.1 M - Professional services -\$0.1 M - Black Start Training revenue <u>Timing Differences</u> +\$0.1 M - Research/studies +\$0.1 M - Data service subscriptions	+\$1.6 M - Interconnection revenue +\$0.5 M - Employee training and business travel +\$0.2 M - Black Start Training expense +\$0.1 M - Contingent labor [Resource Management - Staffing Management] +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Data service subscriptions -\$1.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.3 M - Operator Training Seminar revenue -\$0.1 M - Professional services -\$0.1 M - Black Start Training revenue -\$0.1 M - Training subscriptions +\$0.1 M - Other miscellaneous
6 Commercial Operations	+\$0.1 M - Employee training and business travel -\$0.1 M - Professional services +\$0.1 M - Other miscellaneous	+\$0.2 M - Employee training and business travel -\$0.1 M - Professional services -\$0.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Other miscellaneous
7 External Affairs & Corporate Communications	+\$0.2 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]	+\$0.7 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Employee training and business travel -\$0.2 M - Professional services -\$0.1 M - Contingent labor [Resource Management - Staffing Management]
8 General Counsel	-\$1.0 M - Outside legal services -\$0.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Professional services +\$0.2 M - Board member expenses +\$0.1 M - Data service subscriptions	-\$2.7 M - Outside legal services -\$0.4 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Professional services +\$0.2 M - Board member expenses +\$0.1 M - Data service subscriptions +\$0.1 M - Employee training and business travel
9 Chief Executive Office	No material variance	+\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.2 M - Professional services
10 Project Funded Labor	-\$0.6 M - Multiple projects [Resource Management - Project-Funded Work]	+\$0.4 M - Multiple projects [Resource Management - Project-Funded Work]
17 Project Expenditures	-\$0.8 M - Multiple projects	-\$0.9 M - Multiple projects
18 Met Center Replacement	-\$0.2 M - Tenant improvements	-\$4.7 M - Tenant improvements
19 Interest Expense	+\$0.1 M - Capitalized interest	+\$0.1 M - Capitalized interest
20 Interest Income	-\$9.8 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 June 30, 2021		Year End (YE) As of July 29, 2021		Life to Date As of June 30, 2021		Estimate at Completion (EAC) As of July 29, 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)	\$ 1.1	82%	\$ 1.3	6%	\$ 3.8	7%	\$ 51.6	25%	\$ 51.6	\$ 0.0
2	Battery Energy Storage (BES)	0.1	84%	0.1	0%	0.1	1%	5.1	3%	5.1	0.0
3	NPRR863 ERCOT Contingency Reserve Service (ECRS)	0.0	77%	0.0	0%	0.0	1%	1.2	1%	1.2	0.0
4	Distributed Generation Resources (DGR)	0.0	80%	0.0	0%	0.0	1%	0.5	0%	0.5	0.0
5	Subtotal - Passport Program Projects	1.2	82%	1.4	7%	3.9	7%	58.4	29%	58.4	0.0
6	Data Center 5.0 (DC5) Program	1.0	16%	6.3	6%	5.8	10%	59.6	29%	59.6	0.0
7	Energy Management System (EMS) Upgrade 2024	2.9	41%	6.9	16%	6.1	23%	27.1	13%	27.1	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	2.5	52%	4.7	14%	9.9	77%	12.9	6%	12.9	0.0
9	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	(2.6)	100%	(2.6)	(15%)	2.7	99%	2.7	1%	6.4	3.7
10	Enterprise Content Alignment Program (ECAP)	1.6	52%	3.1	9%	4.6	73%	6.3	3%	6.3	0.0
11	Retail Portfolio Refresh Program	0.3	535%	0.1	2%	4.6	107%	4.3	2%	5.1	0.8
12	Grid Geospatial (Grid Geo) Program	0.3	100%	0.3	2%	4.4	100%	4.4	2%	4.4	(0.0)
13	Delivery Tool Chain Modernization	0.8	48%	1.7	5%	2.5	73%	3.4	2%	3.4	0.0
14	Subtotal - Listed Projects	8.0	36%	22.0	45%	44.5	25%	179.1	88%	183.6	4.5
15	Other Projects	9.8	76%	12.9	55%	16.5	69%	23.9	12%	23.3	(0.6)
16	Total Project Expenditures	\$ 17.7	51%	\$ 34.9	100%	\$ 61.0	30%	\$ 203.0	100%	\$ 206.9	\$ 3.9

Note: Schedule may not foot due to rounding

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

(Dollars in Thousands)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 429,578	\$ 936,434
Accounts receivable	5,334	18,772
Unbilled revenue	3,399	3,385
Restricted cash and cash equivalents	628,778	497,691
Short-term investments	-	102,848
Prepaid expenses and other current assets	30,818	31,560
Total current assets	1,097,907	1,590,690
Long-term investments	-	252
Property and equipment, net	109,938	116,659
Systems under development	40,445	19,121
Other Long Term Assets	788	1,334
Total assets	<u>\$ 1,249,078</u>	<u>\$ 1,728,056</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 9,359	\$ 9,089
Accrued liabilities	13,166	10,971
Finance lease liabilities current	12,369	-
Deferred revenue	5,043	4,992
Market settlement liabilities	(24,308)	642,571
Security deposits	628,778	497,691
Notes payable, current portion	4,000	4,000
Total current liabilities	648,407	1,169,314
Long-term liabilities:		
Notes payable, less current portion:		
Principal	41,000	45,000
Less unamortized debt issuance costs	164	182
Notes payable less current portion and unamortized debt issuance costs	40,836	44,818
Long-term CRR liabilities	427,234	387,586
Other long-term liabilities	454	809
Total long-term liabilities	468,524	433,213
Total liabilities	1,116,931	1,602,527
Net assets without donor restrictions	132,147	125,529
Total liabilities and net assets	<u>\$ 1,249,078</u>	<u>\$ 1,728,056</u>

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

	2021	2020
Operating revenues		
System administration fees	\$ 102,528	\$ 99,470
Other services revenue	5,008	3,607
Total operating revenues	<u>107,536</u>	<u>103,077</u>
Operating expenses		
Salaries and related benefits	63,026	60,265
Facility and equipment costs	5,089	4,482
Outside services	7,993	7,845
Hardware and software maintenance and licensing	16,165	14,408
Depreciation	13,980	15,623
Other	3,755	3,222
Total operating expenses	<u>110,008</u>	<u>105,845</u>
Loss from operations	(2,472)	(2,768)
Other income (expense)		
Investment return, net	175	4,083
Interest expense	(681)	(829)
Non-operating income	1	3
Change in net assets without donor restrictions	(2,977)	489
Net assets without donor restrictions, beginning of year	<u>135,124</u>	<u>125,040</u>
Net assets without donor restrictions, end of period	<u>\$ 132,147</u>	<u>\$ 125,529</u>

Preliminary-Unaudited

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Cash Flows****For the Six Months Ended June 30, 2021 and 2020**

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
Operating activities:		
Change in net assets without donor restrictions	\$ (2,977)	\$ 489
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	13,980	15,623
Amortization of debt issuance costs	9	8
Interest expense accrual on finance lease liabilities	1	-
Amortization of bond premium (discount)	290	(166)
Net (gain) loss on capital assets	(1)	-
Changes in operating assets and liabilities:		
Accounts receivable	(311)	(12,916)
Unbilled revenue	(792)	(868)
Prepaid expenses and other assets	(4,030)	(1,965)
Other long-term assets	254	(1,334)
Other long-term liabilities	(143)	450
Accounts payable	4,830	6,461
Accrued liabilities	(232)	(265)
Deferred revenue	(802)	(701)
Security deposits	(29,781)	(6,118)
Market settlement liabilities	(713,691)	(49,343)
Long-term CRR liabilities	50,187	28,241
Net cash (used in) operating activities	<u>(683,209)</u>	<u>(22,404)</u>
Investing activities:		
Purchase of Investments	(27,830)	(132,000)
Proceeds from Investments	130,505	131,163
Capital expenditures for property and equipment and systems under development	(14,008)	(17,473)
Proceeds from sale of property and equipment	2	-
Net cash provided by (used in) investing activities	<u>88,669</u>	<u>(18,310)</u>
Financing activities:		
Repayment of notes payable	(2,000)	(2,000)
Payment of debt issuance costs	-	(20)
Net cash (used in) financing activities	<u>(2,000)</u>	<u>(2,020)</u>
Net (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(596,540)	(42,734)
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>\$ 1,058,356</u>	<u>\$ 1,434,125</u>