



## **Item 8: Review 2021 Financial Summary**

*Sean Taylor*

Vice President & Chief Financial Officer

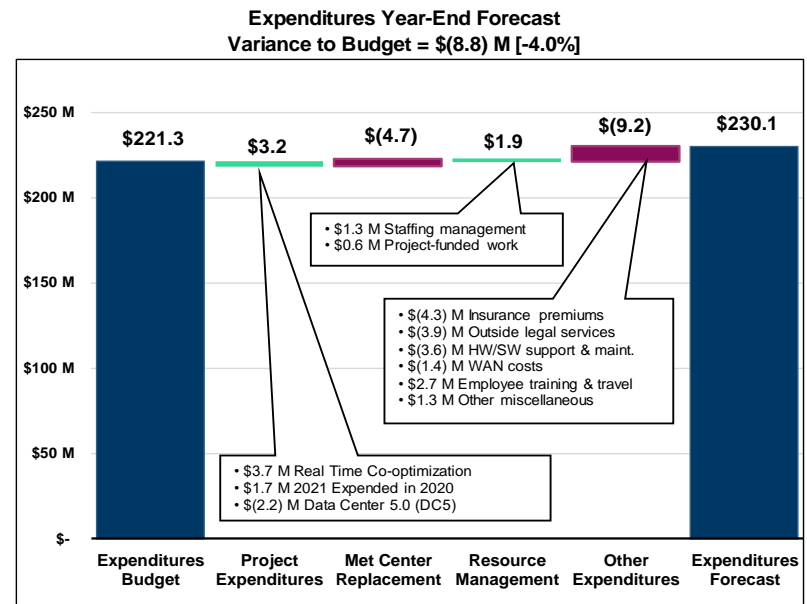
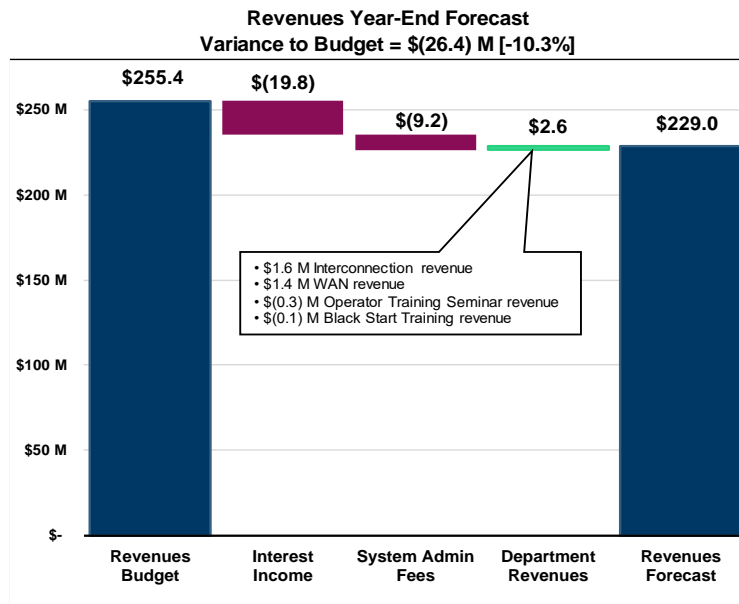
Special Board of Directors Meeting

ERCOT Public

October 22, 2021

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

**Net Available Year-End Forecast Variance to Budget = \$(35.2) M**



Charts may not foot due to rounding



# Review 2021 Financial Summary: Statements of Financial Position

## As of August 31, 2021 and 2020 (\$ in Millions)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Unrestricted cash	\$ 409.0	\$ 908.9
Bond investments	-	103.4
Total unrestricted cash and bond investments	<u>409.0</u>	<u>1,012.3</u>
Restricted cash	763.9	654.4
Other current assets	45.6	59.1
Other long-term assets	152.5	136.2
Total assets	<u>\$ 1,371.0</u>	<u>\$ 1,862.0</u>
<b>Liabilities and Net Assets</b>		
CRR auction liabilities-current	\$ 629.6	\$ 585.2
CRR auction liabilities-long term	453.3	385.4
Other market liabilities	64.9	29.8
Use of CRR for market liquidity	(762.5)	-
Total market settlement liabilities	<u>385.3</u>	<u>1,000.4</u>
Security deposits	763.9	654.4
Other current liabilities	40.9	24.0
Other long-term liabilities	41.4	45.6
Net assets without donor restrictions	139.5	137.6
Total liabilities and net assets	<u>\$ 1,371.0</u>	<u>\$ 1,862.0</u>



# Review 2021 Financial Summary: Statements of Activities and Net Assets

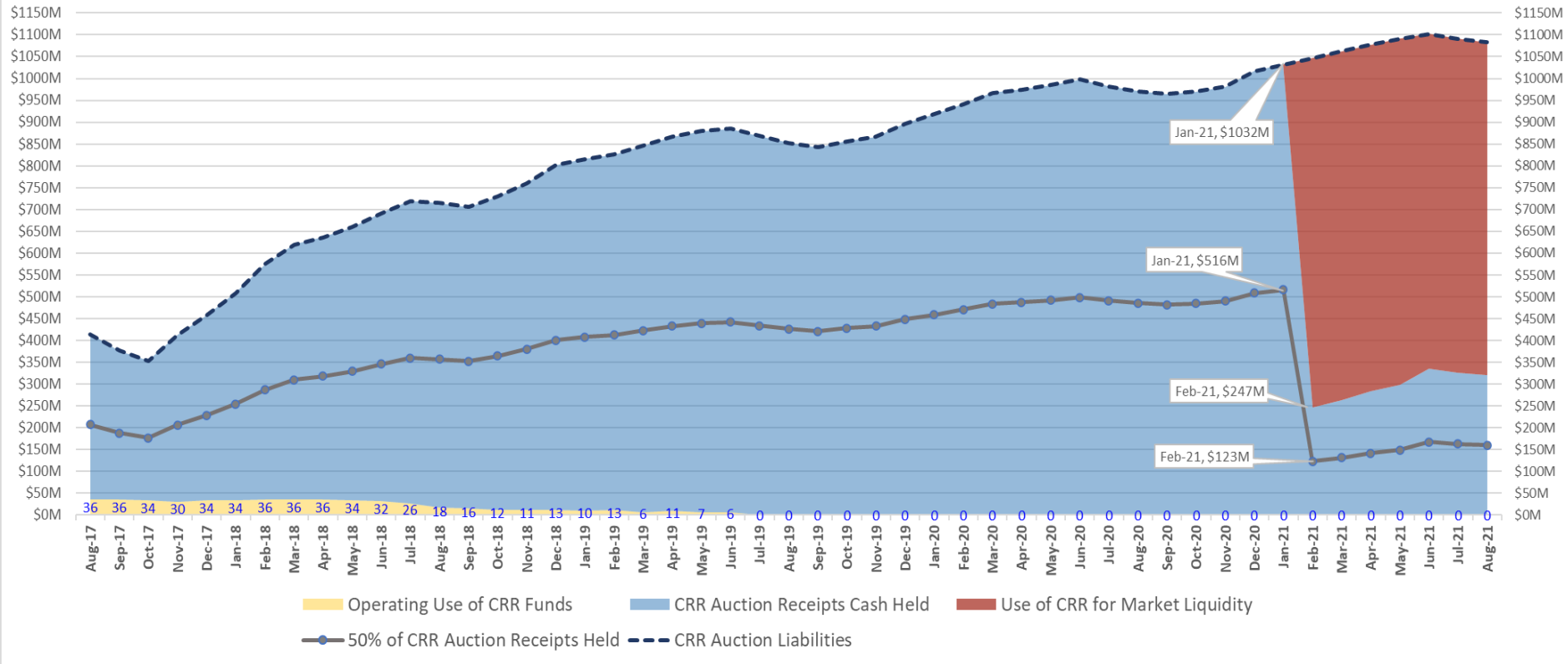
## For the Eight Months Ended August 31, 2021 and 2020 (\$ in Millions)

	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 154.0	\$ 149.3
Operating expenses	149.0	139.9
Income from operations	5.0	9.4
Other (expense) income	(0.6)	3.2
Change in net assets without donor restrictions	4.4	12.6
Net assets without donor restrictions, beginning of year	135.1	125.0
Net assets without donor restrictions, end of period	\$ 139.5	\$ 137.6



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

Use of CRR Funds: Actual vs Limits



As of August 31, 2021, Unrestricted Cash exceeded Market Liabilities by approximately \$24M.



# Appendices

Electric Reliability Council of Texas, Inc. 2021 Financial Summary As of October 1, 2021 (\$ in Millions)		Year to Date (August 31)					Year End (December 31)				
		2020	2021				2020	2021			
			Actual	Budget	Actual	Variance		Actual	Budget	Forecast	Variance
		\$				%	\$				%
Line											
1	System Administration Revenue	\$ 144.5	\$ 155.6	\$ 147.5	\$ (8.1)	(5.2)	\$ 212.2	\$ 229.3	\$ 220.1	\$ (9.2)	(4.0)
2	Department Net Expenditures										
3	Chief Information Office	53.1	55.6	55.6	0.0	0.0	80.6	82.9	83.5	(0.6)	(0.7)
4	Chief Administrative Office	26.8	29.1	27.9	1.2	4.1	41.0	43.7	44.9	(1.2)	(2.7)
5	Grid Planning & Operations	21.2	22.3	21.5	0.7	3.2	32.8	34.3	33.3	1.0	3.0
6	Commercial Operations	11.0	11.1	10.9	0.2	1.8	16.0	16.6	16.9	(0.2)	(1.4)
7	External Affairs & Corporate Communications	4.3	4.7	4.6	0.1	2.6	6.4	7.3	6.9	0.4	5.5
8	General Counsel	3.2	3.5	5.5	(2.0)	(55.7)	4.7	5.3	9.3	(4.0)	(75.8)
9	Chief Executive Office	1.4	1.5	1.4	0.1	5.6	2.1	2.8	2.8	0.0	0.7
10	Project Funded Labor	(7.5)	(7.9)	(7.1)	(0.8)	(9.9)	(11.9)	(11.8)	(11.5)	(0.3)	(2.8)
11	<b>Total Department Net Expenditures</b>	<b>113.6</b>	<b>119.9</b>	<b>120.3</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>171.6</b>	<b>181.1</b>	<b>186.0</b>	<b>(4.9)</b>	<b>(2.7)</b>
12	<b>Net Revenues After Department Expenditures</b>	<b>31.0</b>	<b>35.7</b>	<b>27.2</b>	<b>(8.5)</b>	<b>(23.9)</b>	<b>40.6</b>	<b>48.2</b>	<b>34.1</b>	<b>(14.1)</b>	<b>(29.2)</b>
13											
14	Project Expenditures										
15	Current Budget Year Project Expenditures	24.1	21.5	22.8	(1.3)	(5.9)	36.5	32.3	30.8	1.5	4.6
16	2021 Budget Expended in 2020	1.2	1.2	0.0	1.2	100.0	1.7	1.7	0.0	1.7	100.0
17	<b>Less: Total Project Expenditures</b>	<b>25.3</b>	<b>22.7</b>	<b>22.8</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>38.2</b>	<b>34.0</b>	<b>30.8</b>	<b>3.2</b>	<b>9.4</b>
18	<b>Less: Met Center Replacement</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>	<b>(1.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.7</b>	<b>(4.7)</b>	<b>0.0</b>
19	<b>Less: Interest Expense</b>	<b>1.1</b>	<b>1.1</b>	<b>0.8</b>	<b>0.2</b>	<b>21.4</b>	<b>1.6</b>	<b>1.5</b>	<b>1.3</b>	<b>0.2</b>	<b>14.3</b>
20	<b>Add: Interest Income</b>	<b>4.3</b>	<b>13.3</b>	<b>0.2</b>	<b>(13.2)</b>	<b>(98.6)</b>	<b>4.3</b>	<b>20.0</b>	<b>0.2</b>	<b>(19.8)</b>	<b>(99.0)</b>
21											
22	<b>Net Available</b>	<b>\$ 8.8</b>	<b>\$ 25.2</b>	<b>\$ 2.5</b>	<b>\$ (22.7)</b>	<b>(90.1)</b>	<b>\$ 5.2</b>	<b>\$ 32.7</b>	<b>\$ (2.5)</b>	<b>\$ (35.2)</b>	<b>(107.7)</b>

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2021 Financial Summary Variance Explanations As of October 1, 2021		
Line	Year to Date (August 31)	Year End (December 31)
1 System Administration Revenue	-\$6.6 M - Weaker economy -\$1.5 M - Weather	-\$9.2 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	-\$3.1 M - HW/SW support and maintenance renewals -\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.7 M - Wide Area Network (WAN) costs -\$0.2 M - Equipment and maintenance -\$0.1 M - Data service subscriptions -\$0.2 M - Professional services +\$2.0 M - Contingent labor [Resource Management-Staffing Management] +\$0.9 M - Wide Area Network (WAN) revenues +\$0.7 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.4 M - Employee training and business travel +\$0.5 M - Common infrastructure purchases  <u>Timing Differences</u> +\$1.0 M - Common infrastructure purchases +\$0.2 M - Data center maintenance -\$0.3 M - Minor capital purchases	-\$3.7 M - HW/SW support and maintenance renewals -\$1.4 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$1.4 M - Wide Area Network (WAN) costs -\$0.2 M - Equipment and maintenance -\$0.2 M - Data service subscriptions -\$0.2 M - Professional services +\$2.9 M - Contingent labor [Resource Management-Staffing Management] +\$1.4 M - Wide Area Network (WAN) revenues +\$0.9 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.8 M - Employee training and business travel +\$0.5 M - Common infrastructure purchases
4 Chief Administrative Office	-\$1.8 M - Insurance premiums -\$0.4 M - Cyber monitoring services -\$0.1 M - Software +\$1.2 M - Professional services +\$0.4 M - Employee training and business travel +\$0.3 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.4 M - Equipment and maintenance +\$0.3 M - Electricity +\$0.2 M - Property tax +\$0.2 M - Minor capital purchases +\$0.1 M - Corporate events  <u>Timing Differences</u> +\$0.2 M - Office rent +\$0.2 M - Minor capital purchases	-\$4.3 M - Insurance premiums -\$0.6 M - Cyber monitoring services -\$0.2 M - Software +\$1.2 M - Professional services +\$0.8 M - Employee training and business travel +\$0.5 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.4 M - Equipment and maintenance +\$0.4 M - Electricity +\$0.3 M - Property tax +\$0.2 M - Minor capital purchases +\$0.1 M - Corporate events



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

Line	Year to Date (August 31)	Year End (December 31)
5 Grid Planning & Operations	+\$1.2 M - Interconnection revenue +\$0.4 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 - HW/SW support and maintenance renewals  -\$1.0 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  <u>Timing Differences</u> +\$0.1 M - Data service subscriptions	+\$1.6 M - Interconnection revenue +\$0.6 M - Employee training and business travel +\$0.2 M - Black Start Training expense +\$0.2 M - Contingent labor [Resource Management - Staffing Management] +\$0.1 M - Operator Training Seminar expense +\$0.1 M - HW/SW support and maintenance renewals +\$0.1 M - Consulting services -\$1.3 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 - Research/studies +\$0.1 M - Other miscellaneous
6 Commercial Operations	-\$0.1 M - Data service subscriptions  +\$0.2 M - Employee training and business travel +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	-\$0.3 M - Research/studies -\$0.2 M - Data service subscriptions -\$0.2 M - Consulting services +\$0.2 M - Employee training and business travel +\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Other miscellaneous
7 External Affairs & Corporate Communications	+\$0.3 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Employee training and business travel -\$0.2 M - Professional services -\$0.1 M - Contingent labor [Resource Management - Staffing Management]	+\$0.5 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	-\$2.1 M - Outside legal services -\$0.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Professional services +\$0.3 M - Board member expense	-\$3.9 M - Outside legal services -\$0.4 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Professional services +\$0.3 M - Board member expense +\$0.1 M - Employee training and business travel
9 Chief Executive Office	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	+\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.2 M - Professional services
10 Project Funded Labor	-\$0.8 M - Multiple projects [Resource Management - Project-Funded Work]	-\$0.3 M - Multiple projects [Resource Management - Project-Funded Work]
17 Project Expenditures	-\$0.1 M - Multiple projects	+\$3.2 M - Multiple projects
18 Met Center Replacement	-\$1.2 M - Tenant improvements	-\$4.7 M - Tenant improvements
19 Interest Expense	+\$0.1 M - Revolving line of credit +\$0.1 M - Capitalized interest	+\$0.1 M - Revolving line of credit +\$0.1 M - Capitalized interest
20 Interest Income	-\$13.2 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 August 31, 2021		Year End (YE) As of October 1, 2021		Life to Date As of August 31, 2021		Estimate at Completion (EAC) As of October 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)	\$ 1.1	90%	\$ 1.3	5%	\$ 3.9	7%	\$ 51.6	24%	\$ 51.6	\$ 0.0
2	Battery Energy Storage (BES)	0.1	89%	0.1	0%	0.1	1%	5.1	2%	5.1	0.0
3	NPRR863 ERCOT Contingency Reserve Service (ECRS)	0.0	71%	0.0	0%	0.0	1%	1.2	1%	1.2	0.0
4	Distributed Generation Resources (DGR)	0.0	64%	0.0	0%	0.0	1%	0.5	0%	0.5	0.0
5	<b>Subtotal - Passport Program Projects</b>	<b>1.2</b>	<b>90%</b>	<b>1.4</b>	<b>5%</b>	<b>4.0</b>	<b>7%</b>	<b>58.4</b>	<b>28%</b>	<b>58.4</b>	<b>0.0</b>
6	Data Center 5.0 (DC5) Program	1.1	50%	2.2	5%	5.9	10%	60.0	28%	60.0	0.0
7	Energy Management System (EMS) Upgrade 2024	3.9	60%	6.5	17%	7.1	26%	27.1	13%	27.1	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	3.1	66%	4.7	14%	10.2	78%	13.1	6%	12.9	(0.2)
9	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	(3.4)	100%	(3.4)	(15%)	1.9	100%	1.9	1%	6.4	4.4
10	Enterprise Content Alignment Program (ECAP)	2.1	68%	3.1	9%	5.1	81%	6.3	3%	6.3	0.0
11	Retail Portfolio Refresh Program	0.3	482%	0.1	1%	4.5	105%	4.3	2%	5.1	0.8
12	Grid Geospatial (Grid Geo) Program	0.3	61%	0.5	1%	4.4	90%	4.9	2%	4.9	0.0
13	Delivery Tool Chain Modernization	1.0	57%	1.8	4%	2.7	78%	3.4	2%	3.4	0.0
14	<b>Subtotal - Listed Projects</b>	<b>9.7</b>	<b>57%</b>	<b>16.9</b>	<b>42%</b>	<b>45.8</b>	<b>26%</b>	<b>179.5</b>	<b>85%</b>	<b>184.6</b>	<b>5.1</b>
15	<b>Other Projects</b>	<b>13.2</b>	<b>94%</b>	<b>13.9</b>	<b>58%</b>	<b>19.9</b>	<b>63%</b>	<b>31.7</b>	<b>15%</b>	<b>30.1</b>	<b>(1.6)</b>
16	<b>Total Project Expenditures</b>	<b>\$ 22.8</b>	<b>74%</b>	<b>\$ 30.8</b>	<b>100%</b>	<b>\$ 65.7</b>	<b>31%</b>	<b>\$ 211.2</b>	<b>100%</b>	<b>\$ 214.7</b>	<b>\$ 3.5</b>

Note: Schedule may not foot due to rounding

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Financial Position****As of August 31, 2021 and 2020**

(Dollars in Thousands)

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 409,028	\$ 908,884
Accounts receivable	4,562	18,915
Unbilled revenue	3,709	3,805
Restricted cash and cash equivalents	763,864	654,383
Short-term investments	-	103,131
Prepaid expenses and other current assets	37,365	36,406
Total current assets	1,218,528	1,725,524
Long-term investments	-	252
Property and equipment, net	111,322	114,327
Systems under development	40,291	20,611
Other Long Term Assets	834	1,237
Total assets	<u>\$ 1,370,975</u>	<u>\$ 1,861,951</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 9,393	\$ 6,253
Accrued liabilities	13,371	12,036
Finance lease liabilities current	12,370	-
Deferred revenue	1,728	1,711
Market settlement liabilities	(67,932)	614,982
Security deposits	763,864	654,383
Notes payable, current portion	4,000	4,000
Total current liabilities	736,794	1,293,365
Long-term liabilities:		
Notes payable, less current portion:		
Principal	41,000	45,000
Less unamortized debt issuance costs	161	179
Notes payable less current portion and unamortized debt issuance costs	40,839	44,821
Long-term CRR liabilities	453,347	385,425
Other long-term liabilities	525	737
Total long-term liabilities	494,711	430,983
Total liabilities	1,231,505	1,724,348
Net assets without donor restrictions	139,470	137,603
Total liabilities and net assets	<u>\$ 1,370,975</u>	<u>\$ 1,861,951</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Activities and Net Assets**  
**For the Eight Months Ended August 31, 2021 and 2020**  
(Dollars in Thousands)

	<b>2021</b>	<b>2020</b>
Operating revenues		
System administration fees	\$ 147,493	\$ 144,548
Other services revenue	6,504	4,726
Total operating revenues	<u>153,997</u>	<u>149,274</u>
Operating expenses		
Salaries and related benefits	83,869	79,628
Facility and equipment costs	7,106	6,077
Outside services	12,231	10,621
Hardware and software maintenance and licensing	21,118	18,829
Depreciation	18,635	20,453
Other	6,047	4,293
Total operating expenses	<u>149,006</u>	<u>139,901</u>
Income from operations	4,991	9,373
Other income (expense)		
Investment return, net	181	4,267
Interest expense	(827)	(1,088)
Non-operating income	1	11
Change in net assets without donor restrictions	<u>4,346</u>	<u>12,563</u>
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>\$ 139,470</u>	<u>\$ 137,603</u>

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

(Dollars in Thousands)

	<b>2021</b>	<b>2020</b>
<b>Operating activities:</b>		
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>
<b>Investing activities:</b>		
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>
<b>Financing activities:</b>		
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>