



Item 9: Review 2021 Financial Summary

Sean Taylor

Vice President and Chief Financial Officer

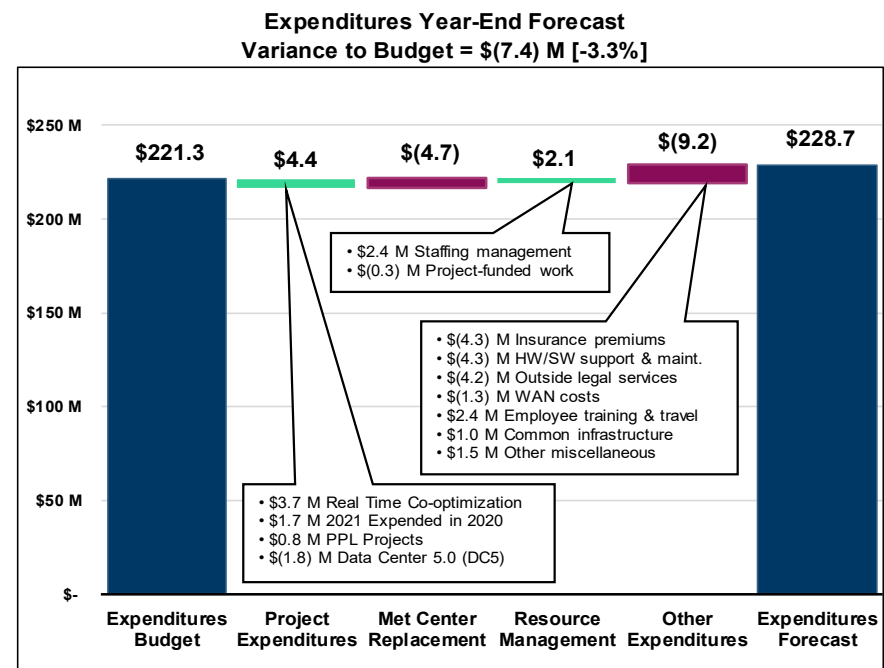
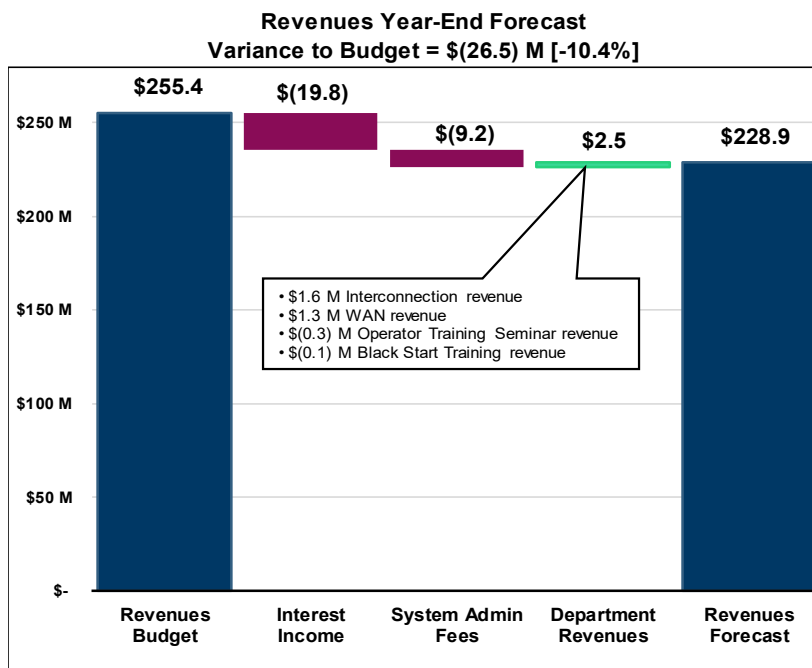
Board of Directors Meeting

ERCOT Public

December 9-10, 2021

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

Net Available Year-End Forecast Variance to Budget = \$(33.9) M



Charts may not foot due to rounding



Review 2021 Financial Summary: Statements of Financial Position

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

	<u>2021</u>	<u>2020</u>
Assets		
Unrestricted cash	\$ 493.8	\$ 917.5
Bond investments	-	103.4
Total unrestricted cash and bond investments	<u>493.8</u>	<u>1,020.9</u>
Restricted cash	995.8	655.7
Other current assets	37.8	48.9
Other long-term assets	153.3	136.8
Total assets	<u>\$ 1,680.7</u>	<u>\$ 1,862.3</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 593.9	\$ 540.6
CRR auction liabilities-long term	545.4	429.8
Other market liabilities	70.7	30.7
Use of CRR for market liquidity	(743.4)	-
Total market settlement liabilities	<u>466.6</u>	<u>1,001.1</u>
Security deposits	995.8	655.7
Other current liabilities	37.8	21.9
Other long-term liabilities	40.4	44.5
Net assets without donor restrictions	140.1	139.1
Total liabilities and net assets	<u>\$ 1,680.7</u>	<u>\$ 1,862.3</u>



Review 2021 Financial Summary: Statements of Activities and Net Assets

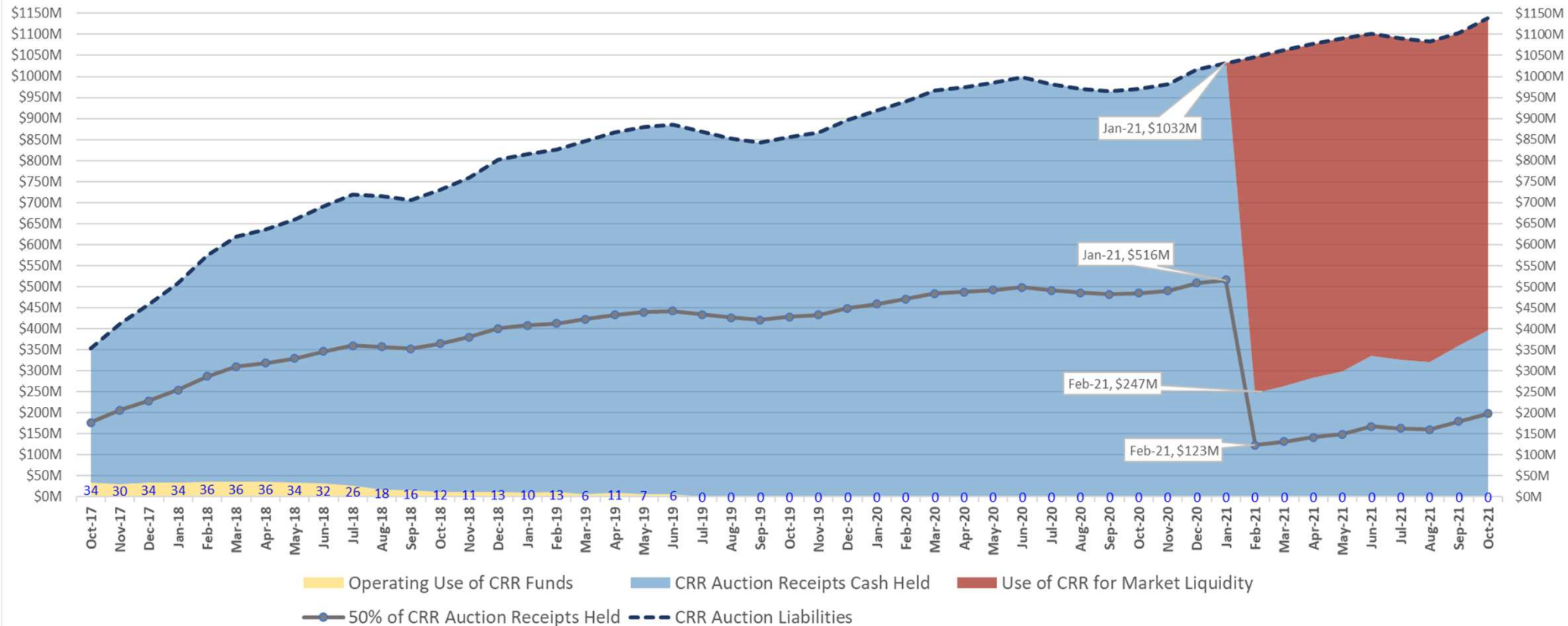
For the Ten Months Ended October 31, 2021 and 2020 (\$ in Millions)

	2021	2020
Operating revenues	\$ 193.9	\$ 186.2
Operating expenses	188.1	175.1
Income from operations	5.8	11.1
Other (expense) income	(0.8)	3.0
Change in net assets without donor restrictions	5.0	14.1
Net assets without donor restrictions, beginning of year	135.1	125.0
Net assets without donor restrictions, end of period	\$ 140.1	\$ 139.1



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

Use of CRR Funds: Actual vs Limits



As of October 31, 2021, Unrestricted Cash exceeded Market Liabilities by approximately \$27M.



Appendices

Electric Reliability Council of Texas, Inc. 2021 Financial Summary As of November 16, 2021 (\$ in Millions)		Year to Date (October 31)					Year End (December 31)				
		2020		2021			2020		2021		
		Line	Actual	Budget	Actual	Variance		Actual	Budget	Forecast	Variance
\$	%					\$	%				
1	System Administration Revenue	\$ 180.1	\$ 194.6	\$ 186.0	\$ (8.6)	(4.4)	\$ 212.2	\$ 229.3	\$ 220.1	\$ (9.2)	(4.0)
2	Department Net Expenditures										
3	Chief Information Office	67.3	69.5	70.0	(0.5)	(0.7)	80.6	82.9	84.1	(1.2)	(1.5)
4	Chief Administrative Office	33.4	36.2	35.6	0.6	1.7	40.8	43.7	44.1	(0.4)	(0.9)
5	Grid Planning & Operations	26.4	28.1	27.0	1.1	3.9	32.8	34.3	33.0	1.4	4.0
6	Commercial Operations	13.6	13.9	13.5	0.4	2.6	16.0	16.6	16.5	0.1	0.7
7	External Affairs & Corporate Communications	5.3	6.1	5.6	0.5	8.7	6.4	7.3	6.6	0.7	9.1
8	General Counsel	3.9	4.4	7.2	(2.8)	(64.6)	4.7	5.3	9.5	(4.2)	(80.2)
9	Chief Executive Office	1.7	1.9	1.9	0.0	0.1	2.1	2.8	2.8	0.0	0.1
10	Project Funded Labor	(10.0)	(9.9)	(8.7)	(1.2)	(11.7)	(11.9)	(11.8)	(10.6)	(1.2)	(10.3)
11	Total Department Net Expenditures	141.7	150.2	152.0	(1.9)	(1.2)	171.4	181.1	186.0	(4.9)	(2.7)
12	Net Revenues After Department Expenditures	38.5	44.5	34.0	(10.5)	(23.6)	40.8	48.2	34.1	(14.1)	(29.2)
13											
14	Project Expenditures										
15	Current Budget Year Project Expenditures	30.2	26.9	25.9	1.1	3.9	36.5	32.3	29.6	2.7	8.4
16	2021 Budget Expended in 2020	1.7	1.7	0.0	1.7	100.0	1.7	1.7	0.0	1.7	100.0
17	Less: Total Project Expenditures	31.9	28.6	25.9	2.8	9.6	38.2	34.0	29.6	4.4	12.9
18	Less: Met Center Replacement	0.0	0.0	2.7	(2.7)	0.0	0.0	0.0	4.7	(4.7)	0.0
19	Less: Interest Expense	1.3	1.3	1.0	0.2	19.1	1.6	1.5	1.3	0.2	15.8
20	Add: Interest Income	4.3	16.7	0.2	(16.5)	(98.9)	4.3	20.0	0.2	(19.8)	(99.0)
21											
22	Net Available	\$ 9.6	\$ 31.2	\$ 4.6	\$ (26.7)	(85.4)	\$ 5.3	\$ 32.7	\$ (1.3)	\$ (33.9)	(103.9)

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2021 Financial Summary Variance Explanations As of November 16, 2021		
Line	Year to Date (October 31)	Year End (December 31)
1 System Administration Revenue	-\$7.1 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	-\$3.9 M - HW/SW support and maintenance renewals -\$1.0 M - Wide Area Network (WAN) costs -\$1.0 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.5 M - Professional services -\$0.2 M - Equipment & maintenance -\$0.1 M - Data service subscriptions +\$2.2 M - Contingent labor [Resource Management-Staffing Management] +\$1.1 M - Wide Area Network (WAN) revenues +\$0.8 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.6 M - Employee training and business travel +\$1.0 M - Common infrastructure purchases +\$0.1 M - Data center maintenance <u>Timing Differences</u> +\$0.5 M - Common infrastructure purchases -\$0.1 M - Minor capital purchases	-\$4.4 M - HW/SW support and maintenance renewals -\$1.3 M - Wide Area Network (WAN) costs -\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$0.7 M - Professional services -\$0.2 M - Equipment maintenance -\$0.2 M - Data service subscriptions +\$2.7 M - Contingent labor [Resource Management-Staffing Management] +\$1.3 M - Wide Area Network (WAN) revenues +\$0.9 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.6 M - Employee training and business travel +\$1.0 M - Common infrastructure purchases +\$0.1 M - Data center maintenance +\$0.1 M - Other miscellaneous
4 Chief Administrative Office	-\$3.0 M - Insurance premiums -\$0.5 M - Cyber monitoring services -\$0.1 M - Software +\$1.3 M - Professional services +\$0.5 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.5 M - Employee training and business travel +\$0.4 M - Equipment and maintenance +\$0.4 M - Minor capital purchases +\$0.4 M - Electricity +\$0.2 M - Property tax +\$0.2 M - Office rent +\$0.1 M - Corporate events <u>Timing Differences</u> +\$0.2 M - Employee rewards and recognition	-\$4.3 M - Insurance premiums -\$0.6 M - Cyber monitoring services -\$0.1 M - Software +\$1.3 M - Professional services +\$0.6 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.6 M - Employee training and business travel +\$0.6 M - Equipment and maintenance +\$0.5 M - Minor capital purchases +\$0.4 M - Electricity +\$0.3 M - Property tax +\$0.2 M - Office rent +\$0.1 M - Corporate events

Electric Reliability Council of Texas, Inc.
2021 Financial Summary Variance Explanations
As of November 16, 2021

Line	Year to Date (October 31)	Year End (December 31)
5 Grid Planning & Operations	+\$1.5 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 - HW/SW support and maintenance renewals +\$0.1 M - Consulting services +\$0.1 M - Company dues -\$0.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.3 M - Operator Training Seminar revenue -\$0.2 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	+\$1.6 M - Interconnection revenue +\$0.7 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 +\$0.1 M - Company dues -\$1.0 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.3 M - Operator Training Seminar revenue -\$0.2 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	+\$0.3 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Employee training and business travel -\$0.1 M - Data service subscriptions -\$0.1 M - Consulting services +\$0.1 M - Other miscellaneous	+\$0.4 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Employee training and business travel -\$0.3 M - Research/studies -\$0.2 M - Data service subscriptions -\$0.1 M - Consulting services +\$0.1 M - Other miscellaneous
7 External Affairs & Corporate Communications	+\$0.5 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Employee training and business travel -\$0.1 M - Professional services	+\$0.7 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Employee training and business travel +\$0.1 M - Printing services -\$0.3 M - Professional services
8 General Counsel	-\$2.8 M - Outside legal services -\$0.4 M - Professional services -\$0.2 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.4 M - Board member expense +\$0.1 M - Employee training and business travel +\$0.1 M - Other miscellaneous	-\$4.2 M - Outside legal services -\$0.4 M - Professional services -\$0.3 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.5 M - Board member expense +\$0.1 M - Employee training and business travel +\$0.1 M - Other miscellaneous
9 Chief Executive Office	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Professional services	+\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.2 M - Professional services
10 Project Funded Labor	-\$1.2 M - Multiple projects [Resource Management - Project-Funded Work]	-\$1.2 M - Multiple projects [Resource Management - Project-Funded Work]
17 Project Expenditures	+\$2.8 M - Multiple projects	+\$4.4 M - Multiple projects
18 Met Center Replacement	-\$2.7 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	-\$16.5 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 October 31, 2021		Year End (YE) As of November 19, 2021		Life to Date As of October 31, 2021		Estimate at Completion (EAC) As of November 19, 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	95%	\$ 1.2	4%	\$ 3.9	8%	\$ 51.6	24%	\$ 51.6	\$ 0.0
2	Battery Energy Storage (BES)	0.1	96%	0.1	0%	0.1	2%	5.1	2%	5.1	0.0
3	NPRR863 ERCOT Contingency Reserve Service (ECRS)	0.0	93%	0.0	0%	0.0	1%	1.2	1%	1.2	0.0
4	Distributed Generation Resources (DGR)	0.0	93%	0.0	0%	0.0	1%	0.5	0%	0.5	0.0
5	Subtotal - Passport Program Projects	1.2	95%	1.3	5%	4.0	7%	58.4	28%	58.4	0.0
6	Data Center 5.0 (DC5) Program	1.5	82%	1.8	6%	6.3	11%	60.0	28%	60.0	0.0
7	Energy Management System (EMS) Upgrade 2024	5.2	85%	6.1	20%	8.5	31%	27.1	13%	27.1	0.0
8	Resource Asset Registration Form (RARF) Replacement (RIOO)	3.8	80%	4.7	15%	10.9	83%	13.2	6%	12.9	(0.3)
9	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	(3.6)	100%	(3.6)	(14%)	1.7	100%	1.7	1%	6.4	4.7
10	Enterprise Content Alignment Program (ECAP)	2.7	87%	3.1	10%	5.7	90%	6.3	3%	6.3	0.0
11	Retail Portfolio Refresh Program	(0.1)	100%	(0.1)	0%	4.1	100%	4.1	2%	5.1	1.0
12	Grid Geospatial (Grid Geo) Program	0.3	89%	0.3	1%	4.5	90%	4.9	2%	4.9	(0.0)
13	Delivery Tool Chain Modernization	1.2	70%	1.8	5%	2.9	84%	3.4	2%	3.4	0.0
14	Subtotal - Listed Projects	12.3	79%	15.5	47%	48.4	27%	179.2	85%	184.6	5.4
15	Other Projects	13.6	96%	14.1	53%	20.4	63%	32.5	15%	30.9	(1.6)
16	Total Project Expenditures	\$ 25.9	87%	\$ 29.6	100%	\$ 68.8	32%	\$ 211.7	100%	\$ 215.4	\$ 3.7

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Financial Position
As of October 31, 2021 and 2020
(Dollars in Thousands)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 493,752	\$ 917,454
Accounts receivable	2,485	16,769
Unbilled revenue	3,872	3,182
Restricted cash and cash equivalents	995,813	655,694
Short-term investments	-	103,401
Prepaid expenses and other current assets	31,431	28,499
Total current assets	1,527,353	1,724,999
Property and equipment, net	114,455	112,337
Systems under development	38,088	23,870
Other Long Term Assets	754	1,140
Total assets	<u>\$ 1,680,650</u>	<u>\$ 1,862,346</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,417	\$ 1,841
Accrued liabilities	13,526	12,582
Finance lease liabilities current	12,371	-
Deferred revenue	3,490	3,486
Market settlement liabilities	(78,812)	571,369
Security deposits	995,813	655,694
Notes payable, current portion	4,000	4,000
Total current liabilities	954,805	1,248,972
Long-term liabilities:		
Notes payable, less current portion:		
Principal	40,000	44,000
Less unamortized debt issuance costs	159	176
Notes payable less current portion and unamortized debt issuance costs	39,841	43,824
Long-term CRR liabilities	545,424	429,780
Other long-term liabilities	518	667
Total long-term liabilities	585,783	474,271
Total liabilities	1,540,588	1,723,243
Net assets without donor restrictions	140,062	139,103
Total liabilities and net assets	<u>\$ 1,680,650</u>	<u>\$ 1,862,346</u>

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

	2021	2020
Operating revenues		
System administration fees	\$ 185,984	\$ 180,137
Other services revenue	7,940	6,047
Total operating revenues	<u>193,924</u>	<u>186,184</u>
Operating expenses		
Salaries and related benefits	103,579	98,967
Facility and equipment costs	8,951	7,610
Outside services	17,398	13,393
Hardware and software maintenance and licensing	26,338	24,410
Depreciation	23,411	25,281
Other	8,453	5,445
Total operating expenses	<u>188,130</u>	<u>175,106</u>
Income from operations	5,794	11,078
Other income (expense)		
Investment return, net	188	4,295
Interest expense	(1,046)	(1,321)
Non-operating income	2	11
Change in net assets without donor restrictions	<u>4,938</u>	<u>14,063</u>
Net assets without donor restrictions, beginning of year	135,124	125,040
Net assets without donor restrictions, end of period	<u>\$ 140,062</u>	<u>\$ 139,103</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Cash Flows
For the Ten Months Ended October 31, 2021 and 2020
(Dollars in Thousands)

	2021	2020
Operating activities:		
Change in net assets without donor restrictions	\$ 4,938	\$ 14,063
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	23,411	25,281
Amortization of debt issuance costs	14	14
Interest expense accrual on finance lease liabilities	3	-
Amortization of bond premium (discount)	290	(213)
Net (gain) on capital assets	(1)	-
Changes in operating assets and liabilities:		
Accounts receivable	2,538	(10,913)
Unbilled revenue	(1,265)	(665)
Prepaid expenses and other assets	(4,643)	1,096
Other long-term assets	288	(1,140)
Other long-term liabilities	(79)	308
Accounts payable	(365)	(332)
Accrued liabilities	586	1,499
Deferred revenue	(2,355)	(2,207)
Security deposits	337,254	151,885
Market settlement liabilities	(768,195)	(120,545)
Long-term CRR liabilities	168,377	70,435
Net cash (used in) provided by operating activities	<u>(239,204)</u>	<u>128,566</u>
Investing activities:		
Purchase of Investments	(27,830)	(235,128)
Proceeds from Investments	130,505	234,037
Capital expenditures for property and equipment and systems under development	(25,804)	(28,166)
Proceeds from sale of property and equipment	2	-
Net cash provided by (used in) investing activities	<u>76,873</u>	<u>(29,257)</u>
Financing activities:		
Repayment of notes payable	(3,000)	(3,000)
Payment of debt issuance costs	-	(20)
Net cash (used in) financing activities	<u>(3,000)</u>	<u>(3,020)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(165,331)	96,289
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>\$ 1,489,565</u>	<u>\$ 1,573,148</u>