



## **Item 11: Review 2021 Financial Summary**

*Sean Taylor*

Vice President and Chief Financial Officer

Board of Directors Meeting

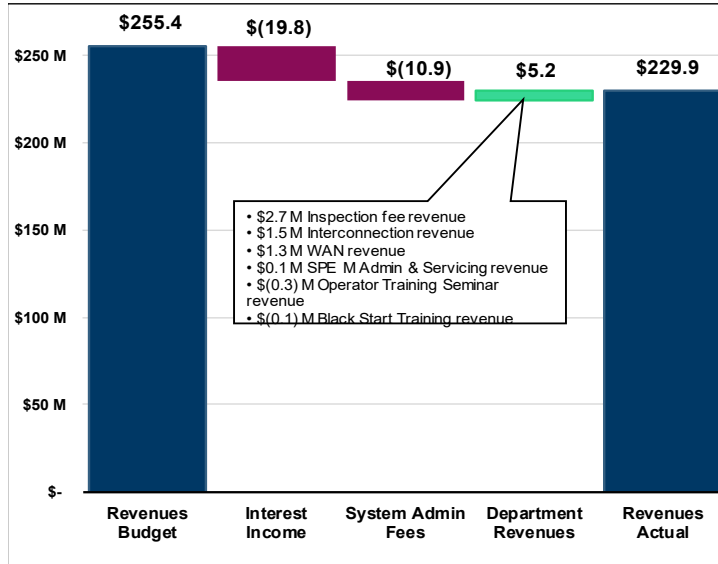
ERCOT Public

March 7-8, 2022

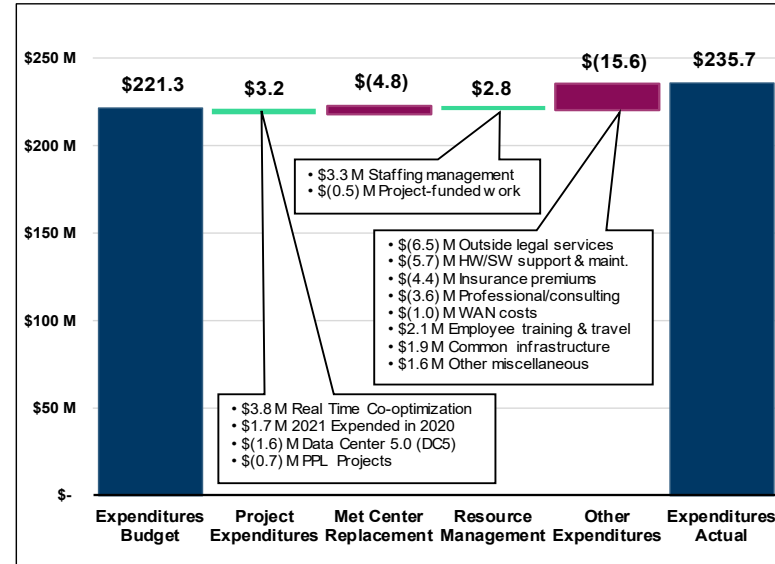
# Review 2021 Financial Summary: 2021 Variance to Budget (\$ in Millions)

**Preliminary Net Available Year-End Variance to Budget = \$(39.9) M**

**Preliminary Revenues Year-End  
Variance to Budget = \$(25.5) M [-10.0%]**



**Preliminary Expenditures Year-End  
Variance to Budget = \$(14.4) M [-6.5%]**



Charts may not foot due to rounding



# Review 2021 Financial Summary: Statements of Financial Position

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

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Unrestricted cash	\$ 1,095.3	\$ 996.3
Investments	4.0	103.1
Total unrestricted cash and investments	<u>1,099.3</u>	<u>1,099.4</u>
Restricted cash	1,075.5	658.6
Other current assets	36.4	34.3
Other long-term assets	156.7	137.9
Total assets	<u><u>\$ 2,367.9</u></u>	<u><u>\$ 1,930.2</u></u>
<b>Liabilities and Net Assets</b>		
CRR auction liabilities-current	\$ 756.0	\$ 640.3
CRR auction liabilities-long term	488.6	377.0
Other market liabilities	105.9	49.0
Use of CRR for market liquidity	(275.0)	-
Total market settlement liabilities	<u>1,075.5</u>	<u>1,066.3</u>
Security deposits	1,075.5	658.6
Other current liabilities	46.9	26.8
Other long-term liabilities	39.5	43.4
Net assets without donor restrictions	130.5	135.1
Total liabilities and net assets	<u><u>\$ 2,367.9</u></u>	<u><u>\$ 1,930.2</u></u>



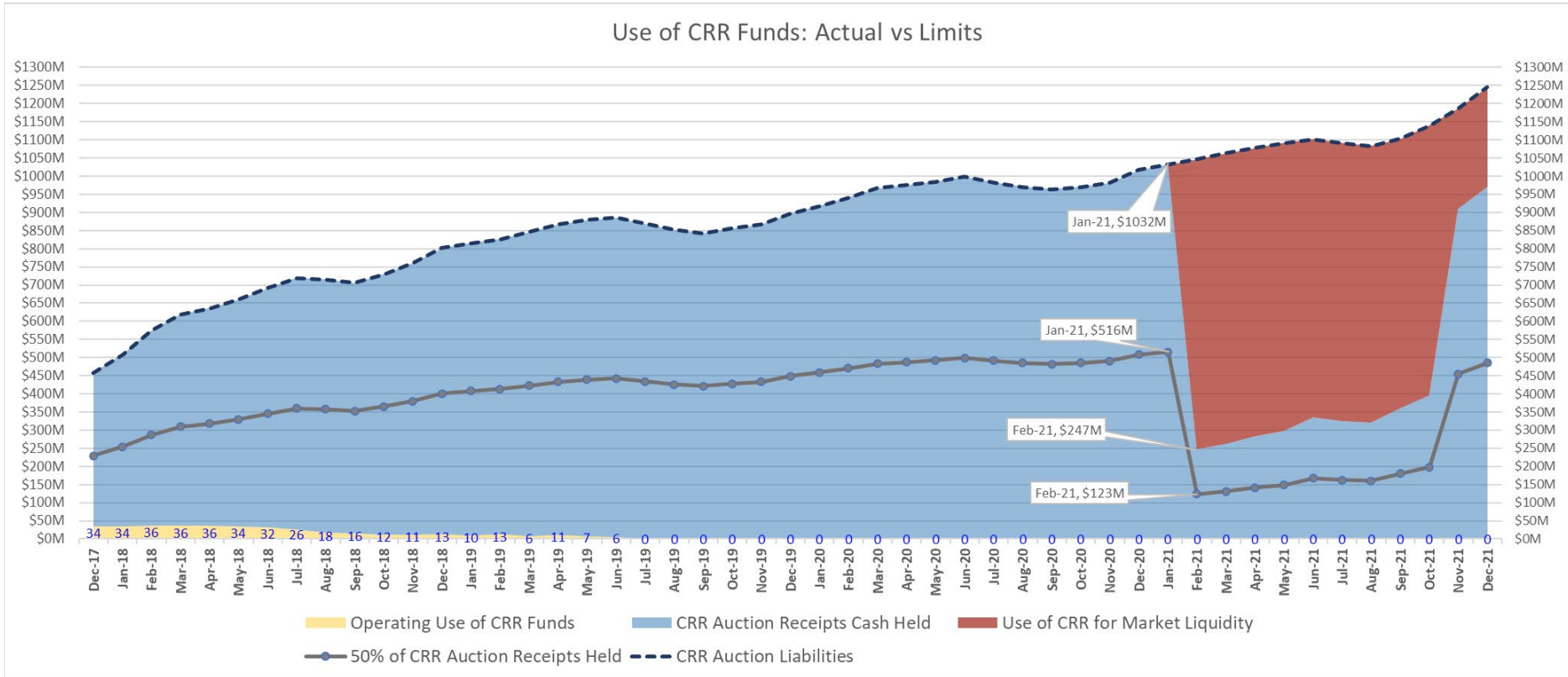
# Review 2021 Financial Summary: Statements of Activities and Net Assets

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

	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 229.7	\$ 219.0
Operating expenses	233.3	211.7
(Loss) income from operations	(3.6)	7.3
Other (expense) income	(1.0)	2.8
Change in net assets without donor restrictions	(4.6)	10.1
Net assets without donor restrictions, beginning of year	135.1	125.0
Net assets without donor restrictions, end of period	\$ 130.5	\$ 135.1



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



As of December 31, 2021, Unrestricted Cash exceeded Market Liabilities by approximately \$20M.



# Appendices

Electric Reliability Council of Texas, Inc. 2021 Financial Summary As of February 24, 2022 (\$ in Millions)						
Preliminary 2021 Year-End						
Line	2020	2021				
	Actual	Budget	Actual	Variance		
			\$	%		
1	System Administration Revenue	\$ 212.2	\$ 229.3	\$ 218.3	\$ (10.9)	(4.8)
2	<b>Department Net Expenditures</b>					
3	Chief Information Office	80.6	82.9	84.6	(1.7)	(2.0)
4	Chief Administrative Office	41.0	43.7	44.2	(0.5)	(1.1)
5	Grid Planning & Operations	32.8	34.3	32.7	1.7	4.8
6	Commercial Operations	16.0	16.6	16.5	0.2	0.9
7	External Affairs & Corporate Communications	6.4	7.3	6.7	0.5	7.1
8	General Counsel	4.7	5.3	12.6	(7.3)	(138.6)
9	Chief Executive Office	2.1	2.8	2.2	0.5	19.4
10	Project Funded Labor	(11.9)	(11.8)	(10.6)	(1.2)	(10.5)
11	<b>Total Department Net Expenditures</b>	<b>171.6</b>	<b>181.1</b>	<b>188.9</b>	<b>(7.8)</b>	<b>(4.3)</b>
12	<b>Net Revenues After Department Expenditures</b>	<b>40.6</b>	<b>48.2</b>	<b>29.4</b>	<b>(18.8)</b>	<b>(39.0)</b>
13						
14	<b>Project Expenditures</b>					
15	Current Budget Year Project Expenditures	36.5	32.3	30.8	1.5	4.7
16	2021 Budget Expended in 2020	1.7	1.7	0.0	1.7	100.0
17	<b>Less: Total Project Expenditures</b>	<b>38.2</b>	<b>34.0</b>	<b>30.8</b>	<b>3.2</b>	<b>9.5</b>
18	<b>Less: Met Center Replacement</b>	<b>0.0</b>	<b>0.0</b>	<b>4.8</b>	<b>(4.8)</b>	<b>0.0</b>
19	<b>Less: Interest Expense</b>	<b>1.6</b>	<b>1.5</b>	<b>1.3</b>	<b>0.3</b>	<b>17.0</b>
20	<b>Add: Interest Income</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>\$ 5.2</b>	<b>\$ 32.7</b>	<b>\$ (7.2)</b>	<b>\$ (39.9)</b>	<b>(122.1)</b>

Note: Schedule may not foot due to rounding

**Electric Reliability Council of Texas, Inc.**  
**2021 Financial Summary Variance Explanations**  
**As of February 24, 2022**

Line	Preliminary 2021 Year-End
1 System Administration Revenue	-\$7.0 M - Weaker economy -\$3.9 M - Weather
3 Chief Information Office	-\$5.7 M - HW/SW support and maintenance renewals -\$1.1 M - Lower-than-budgeted vacancy [Resource Management-Staffing Management] -\$1.0 M - Wide Area Network (WAN) costs -\$0.7 M - Professional services -\$0.3 M - Minor capital purchases -\$0.2 M - Equipment and maintenance -\$0.1 M - Data service subscriptions +\$2.9 M - Contingent labor [Resource Management-Staffing Management] +\$1.9 M - Common infrastructure purchases +\$1.3 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 +\$0.1 M - Other miscellaneous
4 Chief Administrative Office	-\$4.4 M - Insurance premiums -\$0.6 M - Cyber monitoring services -\$0.2 M - IT Hardware and Software +\$1.4 M - Professional services +\$0.6 M - Employee training and business travel +\$0.6 M - Minor capital purchases +\$0.5 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.5 M - Electricity +\$0.4 M - Equipment and maintenance +\$0.3 M - Property tax +\$0.2 M - Office rent +\$0.1 M - Corporate events +\$0.1 M - SPE M Administration & Servicing revenues



<b>Electric Reliability Council of Texas, Inc.</b>	
<b>2021 Financial Summary Variance Explanations</b>	
<b>As of February 24, 2022</b>	
<b>Line</b>	<b>Preliminary 2021 Year-End</b>
5 Grid Planning & Operations	+ \$2.7 M - Inspection fee revenue + \$1.5 M - Interconnection revenue + \$0.6 M - Employee training and business travel + \$0.3 M - Black Start Training expense + \$0.2 M - Contingent labor [Resource Management - Staffing Management] + \$0.2 M - Operator Training Seminar expense + \$0.1 M - Consulting services + \$0.1 M - Company dues - \$2.3 M - Professional services - \$0.9 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] - \$0.3 M - Operator Training Seminar revenue - \$0.2 M - Research/studies - \$0.1 M - Black Start Training revenue - \$0.1 M - Training subscriptions - \$0.1 M - Data service subscriptions
6 Commercial Operations	+ \$0.5 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] + \$0.2 M - Employee training and business travel - \$0.2 M - Professional services - \$0.2 M - Consulting services - \$0.2 M - Data service subscriptions + \$0.1 M - Other miscellaneous
7 External Affairs & Corporate Communications	+ \$0.7 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] + \$0.1 M - Employee training and business travel + \$0.1 M - Printing services - \$0.4 M - Professional services
8 General Counsel	- \$6.5 M - Outside legal services - \$1.1 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
9 Chief Executive Office	+ \$0.7 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]
17 Project Expenditures	+ \$3.2 M - Multiple projects
18 Met Center Replacement	- \$4.8 M - Tenant improvements
19 Interest Expense	+ \$0.2 M - Capitalized interest + \$0.1 M - Revolving line of credit
20 Interest Income	- \$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 December 31, 2021		Life to Date As of December 31, 2021		Estimate at Completion (EAC) As of February 24, 2022			
		Preliminary Actual	% of All Included Projects	Preliminary Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	Data Center 5.0 (DC5) Program	\$ 1.6	5%	\$ 6.4	11%	\$ 60.0	29%	\$ 60.0	\$ 0.0
2	Real Time Co-Optimization (RTC)	1.2	4%	3.9	8%	51.6	25%	51.6	0.0
3	Energy Management System (EMS) Upgrade 2024	6.3	21%	9.6	35%	27.1	13%	27.1	0.0
4	Resource Asset Registration Form (RARF) Replacement (RIOO)	4.5	15%	11.6	90%	12.9	6%	12.9	0.0
5	Market Management System (MMS) / Outage Scheduler (OS) Technology Refresh	(3.6)	(12%)	1.7	100%	1.7	1%	6.4	4.7
6	Enterprise Content Alignment Program (ECAP)	3.2	11%	6.3	99%	6.3	3%	6.3	0.0
7	Battery Energy Storage (BES)	0.1	0%	0.1	1%	5.1	2%	5.1	0.0
8	Retail Portfolio Refresh Program	(0.1)	0%	4.2	100%	4.2	2%	5.1	0.9
9	Grid Geospatial (Grid Geo) Program	0.4	1%	4.5	92%	4.9	2%	4.9	0.0
10	Delivery Tool Chain Modernization	1.4	4%	3.0	87%	3.4	2%	3.4	0.0
11	<b>Total Projects with EAC Budget Over \$2.5M</b>	<b>15.0</b>	<b>49%</b>	<b>51.1</b>	<b>29%</b>	<b>177.2</b>	<b>85%</b>	<b>182.8</b>	<b>5.6</b>
12	<b>Other Projects</b>	<b>15.8</b>	<b>51%</b>	<b>22.6</b>	<b>70%</b>	<b>32.2</b>	<b>15%</b>	<b>30.4</b>	<b>(1.8)</b>
13	<b>Total Project Expenditures</b>	<b>\$ 30.8</b>	<b>100%</b>	<b>\$ 73.7</b>	<b>35%</b>	<b>\$ 209.4</b>	<b>100%</b>	<b>\$ 213.2</b>	<b>\$ 3.8</b>

Notes: 1) Schedule may not foot due to rounding

2) RTC project is on hold until 2023 and EAC costs will be updated on recommencement of the project

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

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,095,266	\$ 996,337
Accounts receivable	5,063	5,023
Unbilled revenue	5,952	2,607
Restricted cash and cash equivalents	1,075,543	658,559
Short-term investments	-	102,965
Prepaid expenses and other current assets	25,374	26,788
Total current assets	2,207,198	1,792,279
Long-term investments	4,000	-
Property and equipment, net	115,632	109,356
Systems under development	40,209	27,522
Other long term assets	867	1,042
Total assets	\$ 2,367,906	\$ 1,930,199
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 3,108	\$ 3,472
Accrued liabilities	20,624	13,345
Finance lease liabilities current	12,642	-
Deferred revenue	6,534	5,845
Market settlement liabilities	586,883	689,383
Security deposits	1,075,543	658,559
Debt payable, current portion	4,000	4,000
Total current liabilities	1,709,334	1,374,604
Long-term liabilities:		
Debt payable, less current portion:		
Principal	39,000	43,000
Less unamortized debt issuance costs	156	173
Debt payable less current portion and unamortized debt issuance costs	38,844	42,827
Long-term CRR liabilities	488,594	377,047
Other long-term liabilities	659	597
Total long-term liabilities	528,097	420,471
Total liabilities	2,237,431	1,795,075
Net assets without donor restrictions	130,475	135,124
Total liabilities and net assets	\$ 2,367,906	\$ 1,930,199

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

	<b>2021</b>	<b>2020</b>
Operating revenues		
System administration fees	\$ 218,339	\$ 212,185
Other services revenue	11,366	6,866
Total operating revenues	229,705	219,051
Operating expenses		
Salaries and related benefits	123,635	119,099
Facility and equipment costs	10,860	9,472
Outside services	27,060	16,586
Hardware and software maintenance and licensing	32,808	29,712
Depreciation	27,902	30,142
Other	11,020	6,701
Total operating expenses	233,285	211,712
(Loss) income from operations	(3,580)	7,339
Other income (expense)		
Investment return, net	200	4,298
Interest expense	(1,271)	(1,576)
Non-operating income	2	23
Change in net assets without donor restrictions	(4,649)	10,084
Net assets without donor restrictions, beginning of year	135,124	125,040
Net assets without donor restrictions, end of period	\$ 130,475	\$ 135,124

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

	<b>2021</b>	<b>2020</b>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ (4,649)	\$ 10,084
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	27,902	30,142
Amortization of debt issuance costs	17	17
Interest expense accrual on finance lease liabilities	5	-
Amortization of bond premium (discount)	290	(100)
Net gain on capital assets	(1)	-
Changes in operating assets and liabilities:		
Accounts receivable	(40)	833
Unbilled revenue	(3,345)	(90)
Prepaid expenses and other assets	1,414	2,807
Other long-term assets	175	(1,042)
Other long-term liabilities	62	238
Accounts payable	(247)	1,282
Accrued liabilities	6,271	2,083
Deferred revenue	689	152
Security deposits	416,984	154,750
Market settlement liabilities	(102,500)	(2,531)
Long-term CRR liabilities	111,547	17,702
Net cash provided by operating activities	<u>454,574</u>	<u>216,327</u>
<b>Investing activities:</b>		
Purchase of investments	(27,830)	(310,466)
Proceeds from investments	130,505	309,698
Investment in subsidiary	(4,000)	-
Capital expenditures for property and equipment and systems under development	(33,337)	(33,502)
Proceeds from sale of property and equipment	1	-
Net cash provided by (used in) investing activities	<u>65,339</u>	<u>(34,270)</u>
<b>Financing activities:</b>		
Repayment of debt payable	(4,000)	(4,000)
Payment of debt issuance costs	-	(20)
Net cash (used in) financing activities	<u>(4,000)</u>	<u>(4,020)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	515,913	178,037
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>\$ 2,170,809</u>	<u>\$ 1,654,896</u>

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2021**  
(Dollars in Thousands)

	Texas Electric Market			
	ERCOT	Stabilization Funding M	Eliminations	Consolidation
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,095,266	\$ 4,000	\$ -	\$ 1,099,266
Accounts receivable	5,063	13,912	-	18,975
Unbilled revenue	5,952	3,264	(83)	9,133
Restricted cash and cash equivalents	1,075,543	60,419	-	1,135,962
Prepaid expenses and other current assets	25,374	8	-	25,382
Total current assets	2,207,198	81,603	(83)	2,288,718
Long-term investments	4,000	-	(4,000)	-
Property and equipment, net	115,632	-	-	115,632
Systems under development	40,209	-	-	40,209
Default charges receivable, non current	-	784,181	-	784,181
Other long term assets	867	-	-	867
Total assets	\$ 2,367,906	\$ 865,784	\$ (4,083)	\$ 3,229,607
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 3,108	\$ -	\$ -	\$ 3,108
Accrued liabilities	20,624	3,264	(83)	23,805
Finance lease liabilities current	12,642	-	-	12,642
Deferred revenue	6,534	-	-	6,534
Market settlement liabilities	586,883	-	-	586,883
Security deposits	1,075,543	60,419	-	1,135,962
Debt payable, current portion	4,000	4,244	-	8,244
Total current liabilities	1,709,334	67,927	(83)	1,777,178
Long-term liabilities:				
Debt payable, less current portion:				
Principal	39,000	795,756	-	834,756
Less unamortized debt issuance costs	156	1,899	-	2,055
Debt payable less current portion and unamortized debt issuance costs	38,844	793,857	-	832,701
Long-term CRR liabilities	488,594	-	-	488,594
Other long-term liabilities	659	-	-	659
Total long-term liabilities	528,097	793,857	-	1,321,954
Total liabilities	2,237,431	861,784	(83)	3,099,132
Net assets without donor restrictions	130,475	4,000	(4,000)	130,475
Total liabilities and net assets	\$ 2,367,906	\$ 865,784	\$ (4,083)	\$ 3,229,607

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Activities and Net Assets**  
**For the Twelve Months Ended December 31, 2021**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Eliminations	Consolidation
Operating revenues				
System administration fees	\$ 218,339	\$ -	\$ -	\$ 218,339
Other services revenue	11,366	-	(83)	11,283
Default charges fees	-	3,273	-	3,273
Total operating revenues	229,705	3,273	(83)	232,895
Operating expenses				
Salaries and related benefits	123,635	-	-	123,635
Facility and equipment costs	10,860	-	-	10,860
Outside services	27,060	83	(83)	27,060
Hardware and software maintenance and licensing	32,808	-	-	32,808
Depreciation	27,902	-	-	27,902
Other	11,020	3,190	-	14,210
Total operating expenses	233,285	3,273	(83)	236,475
Loss from operations	(3,580)	-	-	(3,580)
Other income (expense)				
Investment return, net	200	-	-	200
Interest expense	(1,271)	-	-	(1,271)
Non-operating income	2	-	-	2
Change in net assets without donor restrictions	(4,649)	-	-	(4,649)
Net assets without donor restrictions, beginning of year	135,124	4,000	(4,000)	135,124
Net assets without donor restrictions, end of period	\$ 130,475	\$ 4,000	\$ (4,000)	\$ 130,475

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Cash Flows**  
**For the Twelve Months Ended December 31, 2021**  
(Dollars in Thousands)

	<b>Texas Electric Market</b>			
	<b>ERCOT</b>	<b>Stabilization Funding M</b>	<b>Eliminations</b>	<b>Consolidation</b>
<b>Operating activities:</b>				
Change in net assets without donor restrictions	\$ (4,649)	\$ -	\$ -	\$ (4,649)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:				
Depreciation/amortization of assets	27,902	-	-	27,902
Amortization of debt issuance costs	17	9	-	26
Interest expense accrual on finance lease liabilities	5	-	-	5
Amortization of bond premium	290	-	-	290
Net gain on capital assets	(1)	-	-	(1)
Changes in operating assets and liabilities:				
Accounts receivable	(40)	(13,912)	-	(13,952)
Unbilled revenue	(3,345)	(3,264)	83	(6,526)
Prepaid expenses and other assets	1,414	(8)	-	1,406
Default charges receivable, non current	-	(784,181)	-	(784,181)
Other long-term assets	175	-	-	175
Other long-term liabilities	62	-	-	62
Accounts payable	(247)	-	-	(247)
Accrued liabilities	6,271	3,264	(83)	9,452
Deferred revenue	689	-	-	689
Security deposits	416,984	60,419	-	477,403
Market settlement liabilities	(102,500)	-	-	(102,500)
Long-term CRR liabilities	111,547	-	-	111,547
Net cash provided by (used in) operating activities	<u>454,574</u>	<u>(737,673)</u>	<u>-</u>	<u>(283,099)</u>
<b>Investing activities:</b>				
Purchase of investments	(27,830)	-	-	(27,830)
Proceeds from investments	130,505	-	-	130,505
Investment in subsidiary	(4,000)	-	4,000	-
Capital expenditures for property and equipment and systems under development	(33,337)	-	-	(33,337)
Proceeds from sale of property and equipment	1	-	-	1
Net cash provided by investing activities	<u>65,339</u>	<u>-</u>	<u>4,000</u>	<u>69,339</u>
<b>Financing activities:</b>				
Proceeds from parent company investment	-	4,000	(4,000)	-
Proceeds from debt issuance	-	800,000	-	800,000
Repayment of debt payable	(4,000)	-	-	(4,000)
Payment of debt issuance costs	-	(1,908)	-	(1,908)
Net cash (used in) provided by financing activities	<u>(4,000)</u>	<u>802,092</u>	<u>(4,000)</u>	<u>794,092</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	515,913	64,419	-	580,332
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	1,654,896	-	-	1,654,896
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 2,170,809</u>	<u>\$ 64,419</u>	<u>\$ -</u>	<u>\$ 2,235,228</u>