



## **Item 7.1: Review 2022 Financial Summary**

*Sean Taylor*

Vice President and Chief Financial Officer

Finance and Audit Committee Meeting

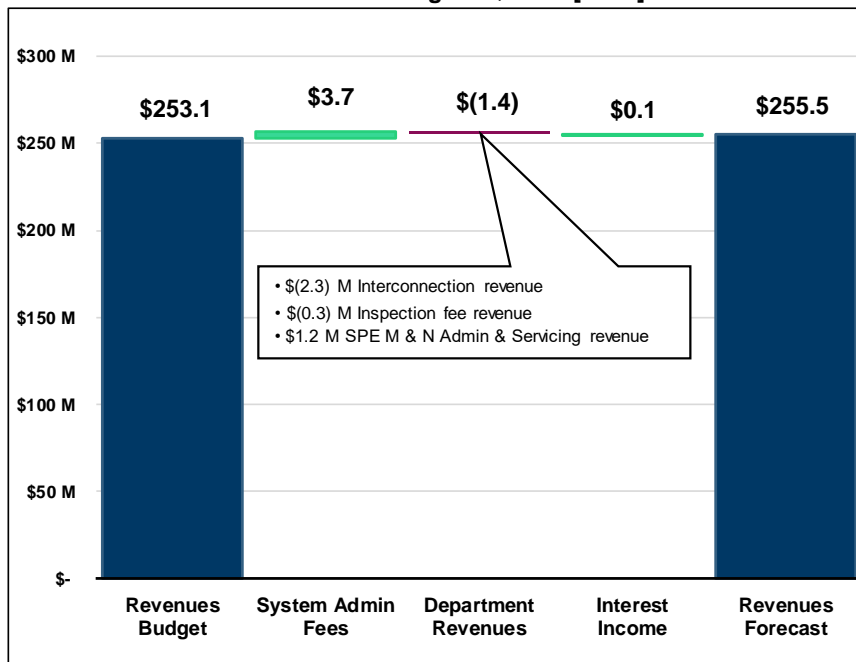
ERCOT Public

April 27, 2022

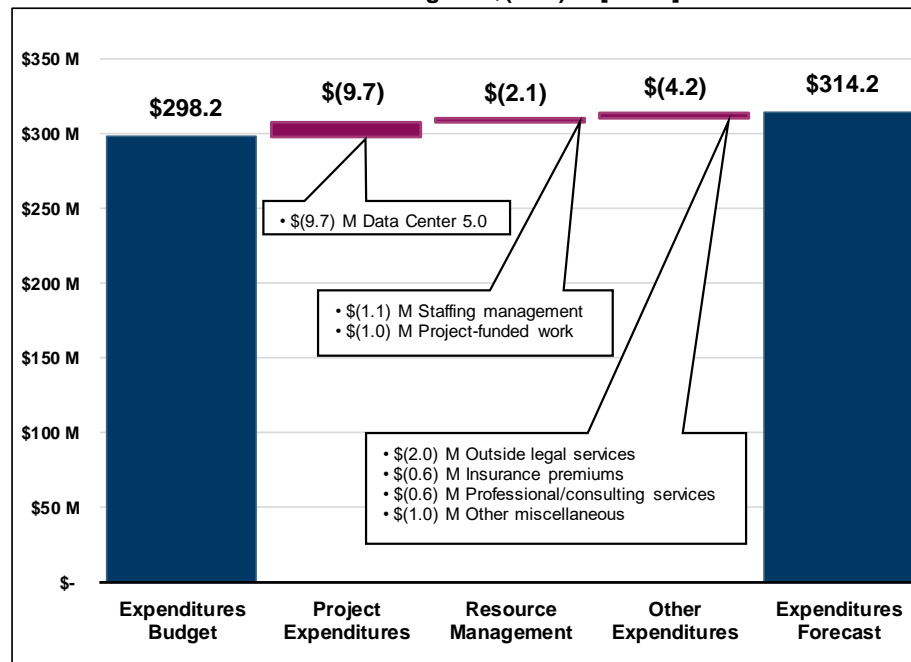
# Review 2022 Financial Summary: 2022 Variance to Budget (\$ in Millions)

**Net Available Year-End Forecast Variance to Budget = \$(13.6) M**

**Revenues Year-End Forecast  
Variance to Budget = \$2.4 M [0.9%]**



**Expenditures Year-End Forecast  
Variance to Budget = \$(16.0) M [-5.4%]**



Charts may not foot due to rounding

# Review 2022 Financial Summary: ERCOT Statements of Financial Position

## As of February 28, 2022 and 2021 (\$ in Millions)

	2022	2021
<b>Assets</b>		
Unrestricted cash	\$ 1,113.9	\$ 432.4
Restricted cash	1,030.9	1,314.8
Other current assets	35.2	37.9
Long-term investment in subsidiary	4.0	-
Other long-term assets	156.7	137.0
Total assets	<u>\$ 2,340.7</u>	<u>\$ 1,922.1</u>
<b>Liabilities and Net Assets</b>		
CRR auction liabilities-current	\$ 738.1	\$ 628.9
CRR auction liabilities-long term	567.5	417.8
Other market liabilities	72.7	158.8
Use of CRR for market liquidity	(274.9)	(800.0)
Total market settlement liabilities	<u>1,103.4</u>	<u>405.5</u>
Security deposits	1,030.9	1,314.8
Other current liabilities	38.2	24.5
Other long-term liabilities	39.4	43.3
Net assets without donor restrictions	1 28.8	134.0
Total liabilities and net assets	<u>\$ 2,340.7</u>	<u>\$ 1,922.1</u>



# Review 2022 Financial Summary: ERCOT Statements of Activities and Net Assets

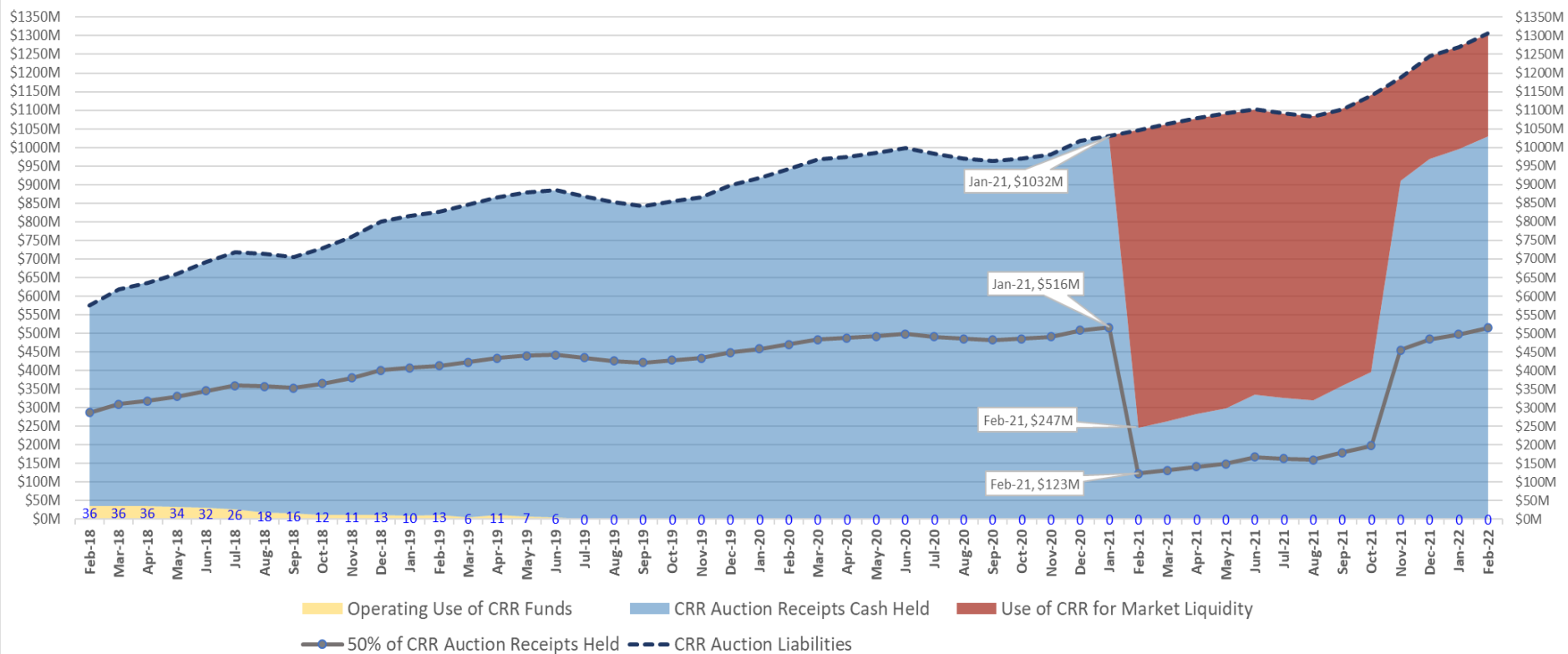
## For the Two Months Ended February 28, 2022 and 2021 (\$ in Millions)

	2022	2021
Operating revenues	\$ 38.4	\$ 35.3
Operating expenses	39.9	36.4
Loss from operations	(1.5)	(1.1)
Other (expense) income	(0.2)	-
Change in net assets without donor restrictions	(1.7)	(1.1)
Net assets without donor restrictions, beginning of year	130.5	135.1
Net assets without donor restrictions, end of period	\$ 128.8	\$ 134.0

# Review 2022 Financial Summary:

## Use of CRR Funds: Actual vs Limits

Use of CRR Funds: Actual vs Limits



*As of February 28, 2022, Unrestricted Cash exceeded Market Liabilities by approximately \$11M.*



# Appendices

Electric Reliability Council of Texas, Inc. 2022 Financial Summary As of April 18, 2022 (\$ in Millions)											
		Year-to-Date (February 28)					Year End (December 31)				
		2021	2022				2021	2022			
					Variance					Variance	
Line		Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%
1	System Administration Revenue	\$ 33.3	\$ 35.2	\$ 36.0	\$ 0.8	2.3	\$ 218.3	\$ 232.9	\$ 236.6	\$ 3.7	1.6
2	Department Net Expenditures										
3	Chief Information Office	13.2	15.6	14.6	1.0	6.1	84.6	93.9	93.4	0.5	0.6
4	Chief Administrative Office	6.6	9.0	8.0	1.0	11.5	44.2	54.9	56.4	(1.5)	(2.7)
5	System Operations	3.7	4.0	3.8	0.3	6.7	21.4	23.9	23.0	0.8	3.5
6	Commercial Operations	2.8	2.8	2.7	0.1	2.6	16.5	16.6	17.0	(0.4)	(2.5)
7	System Planning & Weatherization	1.4	0.8	1.0	(0.1)	(14.5)	11.3	9.6	13.8	(4.2)	(44.1)
8	General Counsel	0.9	1.5	3.4	(1.8)	(118.2)	12.6	9.0	11.0	(2.0)	(22.4)
9	External Affairs & Corporate Communications	1.2	1.4	1.1	0.4	27.1	6.7	8.1	7.3	0.8	9.3
10	Chief Executive Office	0.4	0.4	0.3	0.1	13.7	2.2	2.7	3.1	(0.5)	(17.4)
11	Project Funded Labor	(1.6)	(2.2)	(1.2)	(1.0)	(45.8)	(10.6)	(13.4)	(12.4)	(1.0)	(7.6)
12	Total Department Net Expenditures	28.6	33.4	33.6	(0.2)	(0.5)	188.9	205.3	212.8	(7.5)	(3.7)
13	Net Revenues After Department Expenditures	4.7	1.8	2.4	0.6	36.0	29.4	27.6	23.8	(3.8)	(13.9)
14											
15	Less: Project Expenditures	4.4	9.3	3.4	5.9	63.1	30.8	56.0	65.7	(9.7)	(17.3)
16	Less: Met Center Replacement	0.0	0.0	0.0	(0.0)	0.0	4.8	15.2	15.4	(0.2)	(1.4)
17	Less: Interest Expense	0.2	0.2	0.2	0.0	9.1	1.3	1.4	1.4	0.0	1.3
18	Add: Interest Income	0.2	0.0	0.0	0.0	1,069.4	0.2	0.0	0.1	0.1	1,597.6
19											
20	Net Available	\$ 0.2	\$ (7.7)	\$ (1.2)	\$ 6.6	84.8	\$ (7.2)	\$ (45.0)	\$ (58.7)	\$ (13.6)	(30.3)
Note: Schedule may not foot due to rounding											

Electric Reliability Council of Texas, Inc. 2022 Financial Summary Variance Explanations As of April 18, 2022		
Line	Year-to-Date (February 28)	Year End (December 31)
1 System Administration Revenue	+\$0.6 M - Weather +\$0.2 M - Economy	+\$3.7 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel  <u>Timing Differences</u> +\$0.5 M - HW/SW vendor support services [Resource Management-Project-Funded Work] +\$0.5 M - HW/SW support and maintenance renewals +\$0.2 M - Professional services +\$0.1 M - Building systems maintenance -\$0.5 M - Common infrastructure purchases	+\$1.3 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - Employee training and business travel -\$0.5 M - HW/SW support and maintenance renewals -\$0.2 M - Conferencing -\$0.1 M - Professional services -\$0.1 M - Other miscellaneous
4 Chief Administrative Office	+\$0.1 M - SPE M & N administration & servicing revenues +\$0.1 M - Office rent +\$0.1 M - Property tax +\$0.2 M - Professional services  <u>Timing Differences</u> +\$0.2 M - Equipment and maintenance +\$0.1 M - Professional services +\$0.1 M - Employee training and business travel +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	-\$1.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.8 M - Contingent labor [Resource Management - Staffing Management] -\$0.6 M - Insurance premiums -\$0.3 M - Minor capital purchases -\$0.2 M - Hardware and software -\$0.1 M - Corporate events +\$1.2 M - SPE M & N administration & servicing revenues +\$0.4 M - Office rent +\$0.2 M - Property tax +\$0.2 M - Professional services



Electric Reliability Council of Texas, Inc. 2022 Financial Summary Variance Explanations As of April 18, 2022			
Line	Year-to-Date (February 28)	Year End (December 31)	
5 System Operations	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Data service subscriptions +\$0.1 M - Employee training and business travel	+\$0.6 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Data service subscriptions +\$0.1 M - Employee training and business travel -\$0.1 M - Other miscellaneous	
6 Commercial Operations	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]  <u>Timing Differences</u> +\$0.1 M - Professional services -\$0.1 M - Other miscellaneous	-\$0.3 M - Consulting services -\$0.3 M - Professional services -\$0.1 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Data service subscription +\$0.3 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Other miscellaneous	
7 System Planning & Weatherization	-\$0.1 M - Interconnection revenue  -\$0.1 M - Contingent labor [Resource Management - Staffing Management] -\$0.3 M - Inspection fee revenue  <u>Timing Differences</u> +\$1.7 M - Inspection site visits expense +\$0.1 M - Research/studies -\$1.4 M - Inspection fee revenue	-\$2.3 M - Interconnection revenue -\$1.0 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.3 M - Contingent labor [Resource Management - Staffing Management] -\$0.3 M - Inspection fee revenue -\$0.2 M - Research/studies -\$0.1 M - Employee training and business travel	
8 General Counsel	-\$1.9 M - Outside legal services  <u>Timing Differences</u> +\$0.1 M - Membership dues revenue	-\$2.0 M - Outside legal services	
9 External Affairs & Corporate Communications	+\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]  <u>Timing Differences</u> +\$0.2 M - Professional services +\$0.1 M - Other miscellaneous	+\$0.9 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Professional services	
10 Chief Executive Office	<u>Timing Differences</u> +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	-\$0.5 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]	
11 Project Funded Labor	-\$1.0 M - Multiple projects [Resource Management - Project-Funded Work]	-\$1.0 M - Multiple projects [Resource Management - Project-Funded Work]	
15 Project Expenditures	+\$5.9 M - Multiple projects	-\$9.7 M - Data Center 5.0 program	
16 Met Center Replacement	No material variance	-\$0.2 M - Acceleration of building purchase	
17 Interest Expense	No material variance	No material variance	
18 Interest Income	No material variance	+\$0.1 M - Higher investment balance	

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

Line	Project	Year to Date As of February 28, 2022		Year End (YE) As of April 18, 2022		Life to Date As of February 28, 2022		Estimate at Completion (EAC) As of April 18, 2022			
		Actual	% of YE Forecast	YE Forecast	% of All Included Projects	Actual	% of EAC Forecast	EAC Forecast	% of All Included Projects	Budget	Variance
1	Data Center 5.0 (DC5) Program	\$ 1.7	5%	\$ 35.3	50%	\$ 8.2	13%	\$ 62.4	43%	\$ 60.0	\$ (2.4)
2	Energy Management System (EMS) Upgrade 2024	0.4	4%	9.3	11%	10.0	37%	27.1	19%	27.1	0.0
3	Resource Asset Registration Form (RARF) Replacement (RIOO)	0.3	16%	2.0	9%	11.9	93%	12.9	9%	12.9	0.0
4	Enterprise Content Alignment Program (ECAP)	0.2	9%	1.7	5%	6.4	94%	6.8	5%	6.8	0.0
5	Grid Geospatial (Grid Geo) Program	0.1	(89%)	(0.1)	2%	4.6	104%	4.4	3%	4.4	0.0
6	Delivery Tool Chain Modernization	0.2	47%	0.4	5%	3.2	94%	3.4	2%	3.4	0.1
7	Network Model Management System (NMMS) Tech Health	0.3	12%	2.1	8%	0.7	32%	2.3	2%	2.2	(0.0)
8	NPRR863 Fast Frequency Response (FFR) Advancement	0.0	1%	1.0	0%	2.1	100%	2.1	1%	2.1	0.0
9	<b>Total Projects with EAC Budget Over \$2.0M</b>	<b>3.1</b>	<b>6%</b>	<b>51.7</b>	<b>90%</b>	<b>47.0</b>	<b>39%</b>	<b>121.4</b>	<b>85%</b>	<b>119.0</b>	<b>(2.4)</b>
10	<b>Other Projects</b>	<b>0.3</b>	<b>2%</b>	<b>14.0</b>	<b>10%</b>	<b>10.1</b>	<b>46%</b>	<b>22.1</b>	<b>15%</b>	<b>22.8</b>	<b>0.7</b>
11	<b>Total Project Expenditures</b>	<b>\$ 3.4</b>	<b>5%</b>	<b>\$ 65.7</b>	<b>100%</b>	<b>\$ 57.1</b>	<b>40%</b>	<b>\$ 143.5</b>	<b>100%</b>	<b>\$ 141.8</b>	<b>\$ (1.6)</b>

Note: Schedule may not foot due to rounding

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.****Statements of Financial Position****As of February 28, 2022 and 2021**

(Dollars in Thousands)

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,113,875	\$ 432,400
Accounts receivable	5,662	2,754
Unbilled revenue	3,672	3,318
Restricted cash and cash equivalents	1,030,851	1,314,838
Prepaid expenses and other current assets	25,911	31,805
Total current assets	2,179,971	1,785,115
Long-term investments	4,000	-
Property and equipment, net	112,729	104,898
Systems under development	43,224	31,126
Other long term assets	780	945
Total assets	\$ 2,340,704	\$ 1,922,084
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 2,341	\$ 7,596
Accrued liabilities	19,011	12,590
Finance lease liabilities current	12,597	-
Deferred revenue	254	248
Market settlement liabilities	535,913	(12,216)
Security deposits	1,030,851	1,314,838
Debt payable, current portion	4,000	4,000
Total current liabilities	1,604,967	1,327,056
Long-term liabilities:		
Debt payable, less current portion:		
Principal	39,000	43,000
Less unamortized debt issuance costs	153	170
Debt payable less current portion and unamortized debt issuance costs	38,847	42,830
Long-term CRR liabilities	567,468	417,758
Other long-term liabilities	643	490
Total long-term liabilities	606,958	461,078
Total liabilities	2,211,925	1,788,134
Net assets without donor restrictions	128,779	133,950
Total liabilities and net assets	\$ 2,340,704	\$ 1,922,084

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Activities and Net Assets**  
**For the Two Months Ended February 28, 2022 and 2021**  
(Dollars in Thousands)

	<b>2022</b>	<b>2021</b>
Operating revenues		
System administration fees	\$ 36,034	\$ 33,301
Other services revenue	2,360	1,982
Total operating revenues	38,394	35,283
Operating expenses		
Salaries and related benefits	22,659	22,001
Facility and equipment costs	1,585	1,764
Outside services	4,205	2,281
Hardware and software maintenance and licensing	5,189	4,854
Depreciation	4,128	4,596
Other	2,149	925
Total operating expenses	39,915	36,421
Loss from operations	(1,521)	(1,138)
Other income (expense)		
Investment return, net	17	176
Interest expense	(192)	(214)
Non-operating income	-	2
Change in net assets without donor restrictions	(1,696)	(1,174)
Net assets without donor restrictions, beginning of year	130,475	135,124
Net assets without donor restrictions, end of period	\$ 128,779	\$ 133,950

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**Statements of Cash Flows**  
**For the Two Months Ended February 28, 2022 and 2021**  
(Dollars in Thousands)

	<b>2022</b>	<b>2021</b>
<b>Operating activities:</b>		
Change in net assets without donor restrictions	\$ (1,696)	\$ (1,174)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	4,128	4,596
Amortization of debt issuance costs	3	3
Repayments of interest portion of finance lease liabilities	(5)	-
Amortization of bond premium	-	290
Net gain on capital assets	-	(2)
Changes in operating assets and liabilities:		
Accounts receivable	(599)	2,269
Unbilled revenue	2,280	(711)
Prepaid expenses and other assets	(537)	(5,017)
Other long-term assets	87	97
Other long-term liabilities	(16)	(107)
Accounts payable	(1,658)	3,802
Accrued liabilities	(7,131)	(5,496)
Deferred revenue	(818)	(712)
Security deposits	(44,692)	656,279
Market settlement liabilities	(50,970)	(701,599)
Long-term CRR liabilities	78,874	40,711
Net cash (used in) operating activities	(22,750)	(6,771)
<b>Investing activities:</b>		
Purchase of investments	-	(27,830)
Proceeds from investments	-	130,505
Capital expenditures for property and equipment and systems under development	(3,293)	(3,564)
Proceeds from sale of property and equipment	-	2
Net cash (used in) provided by investing activities	(3,293)	99,113
<b>Financing activities:</b>		
Repayments of principal portion of finance lease liabilities	(40)	-
Net cash (used in) financing activities	(40)	-
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	(26,083)	92,342
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,170,809	1,654,896
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 2,144,726	\$ 1,747,238

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Financial Position**  
**As of February 28, 2022**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Eliminations	Consolidated
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,113,875	\$ 11,260	\$ -	\$ 1,125,135
Accounts receivable	5,662	15,768	-	21,430
Unbilled revenue	3,672	1,477	(167)	4,982
Restricted cash and cash equivalents	1,030,851	65,399	-	1,096,250
Prepaid expenses and other current assets	25,911	8	-	25,919
Total current assets	2,179,971	93,912	(167)	2,273,716
Long-term investments	4,000	-	(4,000)	-
Property and equipment, net	112,729	-	-	112,729
Systems under development	43,224	-	-	43,224
Default charges receivable, non current	-	780,922	-	780,922
Other long term assets	780	-	-	780
Total assets	\$ 2,340,704	\$ 874,834	\$ (4,167)	\$ 3,211,371
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 2,341	\$ -	\$ -	\$ 2,341
Accrued liabilities	19,011	7,322	(167)	26,166
Finance lease liabilities current	12,597	-	-	12,597
Deferred revenue	254	-	-	254
Market settlement liabilities	535,913	-	-	535,913
Security deposits	1,030,851	65,399	-	1,096,250
Debt payable, current portion	4,000	13,912	-	17,912
Total current liabilities	1,604,967	86,633	(167)	1,691,433
Long-term liabilities:				
Debt payable, less current portion:				
Principal	39,000	786,088	-	825,088
Less unamortized debt issuance costs	153	1,887	-	2,040
Debt payable less current portion and unamortized debt issuance costs	38,847	784,201	-	823,048
Long-term CRR liabilities	567,468	-	-	567,468
Other long-term liabilities	643	-	-	643
Total long-term liabilities	606,958	784,201	-	1,391,159
Total liabilities	2,211,925	870,834	(167)	3,082,592
Net assets without donor restrictions	128,779	4,000	(4,000)	128,779
Total liabilities and net assets	\$ 2,340,704	\$ 874,834	\$ (4,167)	\$ 3,211,371

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Activities and Net Assets**  
**For the Two Months Ended February 28, 2022**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Eliminations	Consolidated
Operating revenues				
System administration fees	\$ 36,034	\$ -	\$ -	\$ 36,034
Other services revenue	2,360	-	(83)	2,277
Default charges fees	-	4,070	-	4,070
Total operating revenues	38,394	4,070	(83)	42,381
Operating expenses				
Salaries and related benefits	22,659	-	-	22,659
Facility and equipment costs	1,585	-	-	1,585
Outside services	4,205	83	(83)	4,205
Hardware and software maintenance and licensing	5,189	-	-	5,189
Depreciation	4,128	-	-	4,128
Other	2,149	-	-	2,149
Total operating expenses	39,915	83	(83)	39,915
(Loss) income from operations	(1,521)	3,987	-	2,466
Other income (expense)				
Investment return, net	17	-	-	17
Interest expense	(192)	(3,987)	-	(4,179)
Change in net assets without donor restrictions	(1,696)	-	-	(1,696)
Net assets without donor restrictions, beginning of year	130,475	4,000	(4,000)	130,475
Net assets without donor restrictions, end of period	\$ 128,779	\$ 4,000	\$ (4,000)	\$ 128,779

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**  
**Consolidated Statements of Cash Flows**  
**For the Two Months Ended February 28, 2022**  
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Eliminations	Consolidated
<b>Operating activities:</b>				
Change in net assets without donor restrictions	\$ (1,696)	\$ -	\$ -	\$ (1,696)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:				
Depreciation/amortization of assets	4,128	-	-	4,128
Amortization of debt issuance costs	3	12	-	15
Repayments of interest portion of finance lease liabilities	(5)	-	-	(5)
Changes in operating assets and liabilities:				
Accounts receivable	(599)	(1,856)	-	(2,455)
Unbilled revenue	2,280	1,786	83	4,149
Prepaid expenses and other assets	(537)	-	-	(537)
Default charges receivable, non current	-	3,259	-	3,259
Other long-term assets	87	-	-	87
Other long-term liabilities	(16)	-	-	(16)
Accounts payable	(1,658)	-	-	(1,658)
Accrued liabilities	(7,131)	4,059	(83)	(3,155)
Deferred revenue	(818)	-	-	(818)
Security deposits	(44,692)	4,980	-	(39,712)
Market settlement liabilities	(50,971)	-	-	(50,971)
Long-term CRR liabilities	78,874	-	-	78,874
Net cash provided by (used in) operating activities	(22,751)	12,240	-	(10,511)
<b>Investing activities:</b>				
Capital expenditures for property and equipment and systems under development	(3,293)	-	-	(3,293)
Net cash (used in) provided by investing activities	(3,293)	-	-	(3,293)
<b>Financing activities:</b>				
Repayments of principal portion of finance lease liabilities	(40)	-	-	(40)
Net cash (used in) provided by financing activities	(40)	-	-	(40)
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	(26,084)	12,240	-	(13,844)
Cash, cash equivalents, and restricted cash and cash equivalents , beginning of year	2,170,810	64,419	-	2,235,229
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 2,144,726	\$ 76,659	\$ -	\$ 2,221,385