



Item 5.1: Review 2022 Financial Summary

Sean Taylor

Vice President and Chief Financial Officer

Finance and Audit Committee Meeting

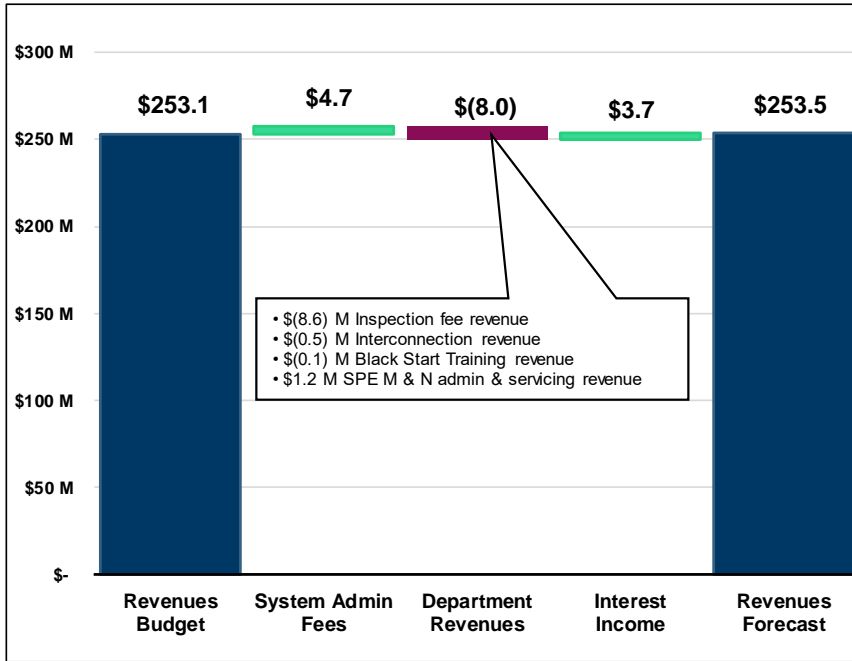
ERCOT Public

June 20, 2022

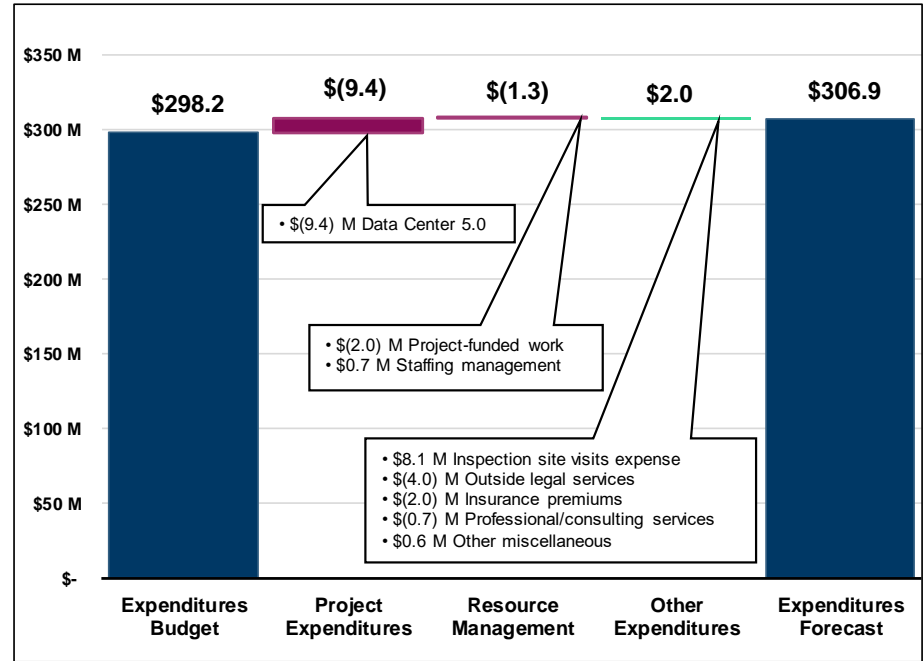
Review 2022 Financial Summary: 2022 Variance to Budget (\$ in Millions)

Net Available Year-End Forecast Variance to Budget = \$(8.3) M

**Revenues Year-End Forecast
Variance to Budget = \$0.4 M [0.2%]**



**Expenditures Year-End Forecast
Variance to Budget = \$(8.7) M [-2.9%]**



Charts may not foot due to rounding



Review 2022 Financial Summary: ERCOT Statements of Financial Position

As of April 30, 2022 and 2021 (\$ in Millions)

	<u>2022</u>	<u>2021</u>
Assets		
Unrestricted cash	\$ 1,287.9	\$ 365.6
Restricted cash	1,042.3	554.6
Other current assets	36.6	31.3
Long-term investment in subsidiary	4.0	-
Other long-term assets	155.9	137.7
Total assets	<u>\$ 2,526.7</u>	<u>\$ 1,089.2</u>
Liabilities and Net Assets		
CRR auction liabilities-current	\$ 710.1	\$ 588.0
CRR auction liabilities-long term	722.8	489.6
Other market liabilities	125.2	57.3
Use of CRR for market liquidity	(274.9)	(793.9)
Total market settlement liabilities	<u>1,283.2</u>	<u>341.0</u>
Security deposits	1,042.3	554.6
Other current liabilities	40.6	21.4
Other long-term liabilities	38.4	42.3
Net assets without donor restrictions	122.2	129.9
Total liabilities and net assets	<u>\$ 2,526.7</u>	<u>\$ 1,089.2</u>



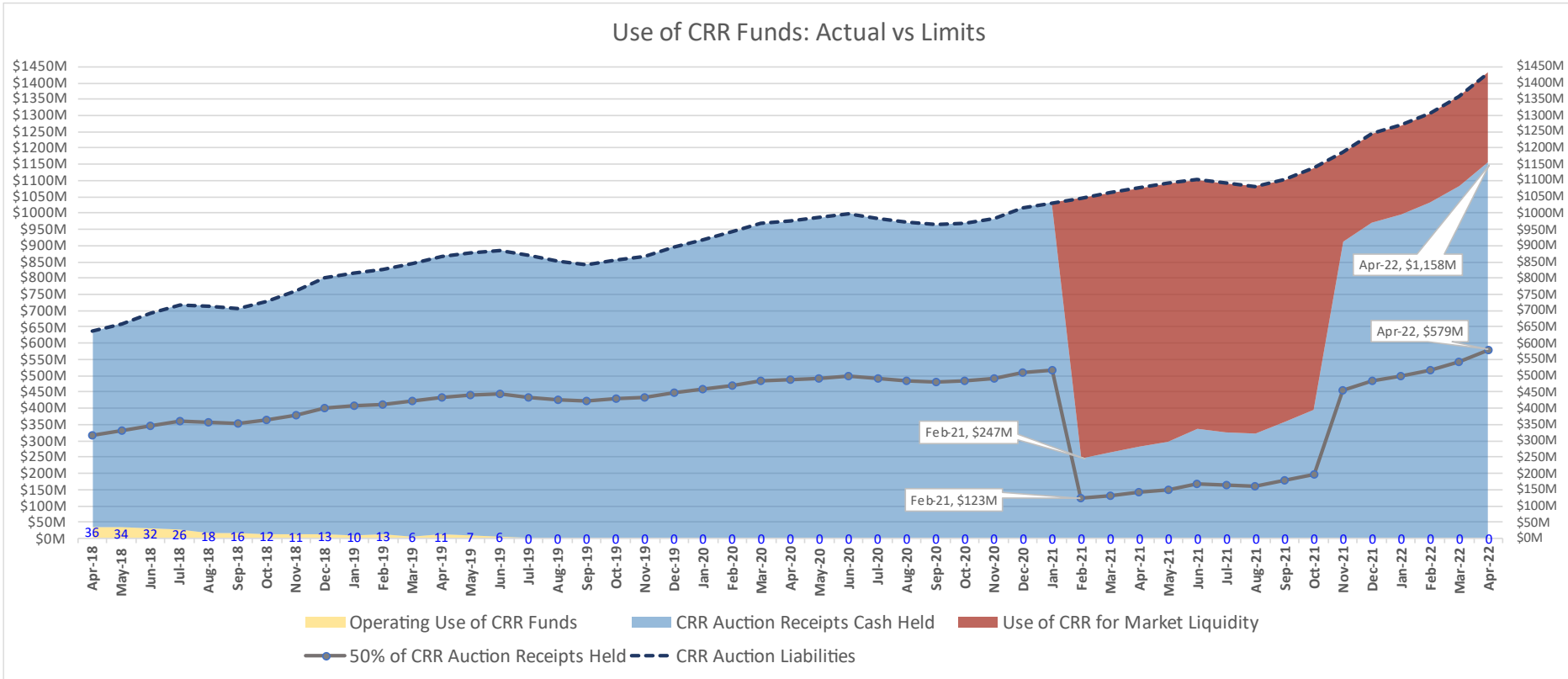
Review 2022 Financial Summary: ERCOT Statements of Activities and Net Assets

For the Four Months Ended April 30, 2022 and 2021 (\$ in Millions)

	<u>2022</u>		<u>2021</u>
Operating revenues	\$ 74.5	\$	67.8
Operating expenses	82.7		72.8
Loss from operations	(8.2)		(5.0)
Other expense	(0.1)		(0.2)
Change in net assets without donor restrictions	(8.3)		(5.2)
Net assets without donor restrictions, beginning of year	130.5		135.1
Net assets without donor restrictions, end of period	\$ 122.2	\$	129.9



Review 2022 Financial Summary: Use of CRR Funds: Actual vs Limits



As of April 2022, Unrestricted Cash exceeded Market Liabilities by approximately \$5M.



Appendices

Electric Reliability Council of Texas, Inc. 2022 Financial Summary As of June 2, 2022 (\$ in Millions)						Year-to-Date (April 30)					Year End (December 31)				
						2021		2022			Variance		2021		2022
Line	Actual	Budget	Actual	\$	%	Actual	Budget	Forecast	\$	%					
1	System Administration Revenue	\$ 64.1	\$ 68.8	\$ 70.2	\$ 1.4	2.0	\$ 218.3	\$ 232.9	\$ 237.6	\$ 4.7	2.0				
2	Department Net Expenditures														
3	Chief Information Office	28.7	31.3	29.9	1.4	4.6	84.6	93.9	93.5	0.4	0.5				
4	Chief Administrative Office	13.0	18.4	16.2	2.2	12.1	44.2	54.9	54.7	0.2	0.4				
5	System Operations	6.9	7.9	7.5	0.4	5.1	21.4	23.9	23.9	(0.0)	(0.1)				
6	Commercial Operations	5.5	5.6	5.5	0.0	0.7	16.5	16.6	17.0	(0.4)	(2.5)				
7	System Planning & Weatherization	3.4	2.4	2.5	(0.1)	(2.6)	11.3	9.6	11.0	(1.4)	(15.1)				
8	General Counsel	2.1	3.0	6.3	(3.4)	(112.8)	12.6	9.0	12.7	(3.6)	(40.5)				
9	External Affairs & Corporate Communications	2.3	2.8	2.2	0.6	20.7	6.7	8.1	7.5	0.6	7.9				
10	Chief Executive Office	0.8	0.8	0.6	0.1	18.6	2.2	2.7	3.0	(0.3)	(12.6)				
11	Project Funded Labor	(3.6)	(4.5)	(3.1)	(1.3)	(29.7)	(10.6)	(13.4)	(11.4)	(2.0)	(15.3)				
12	Total Department Net Expenditures	59.2	67.8	67.7	0.1	0.1	188.9	205.3	211.9	(6.6)	(3.2)				
13	Net Revenues After Department Expenditures	4.9	1.0	2.5	1.5	152.9	29.4	27.6	25.7	(2.0)	(7.1)				
14															
15	Less: Project Expenditures	10.8	18.7	8.0	10.7	57.2	30.8	56.0	65.4	(9.4)	(16.8)				
16	Less: Met Center Replacement	0.0	15.2	0.0	15.2	100.0	4.8	15.2	15.4	(0.2)	(1.4)				
17	Less: Interest Expense	0.4	0.4	0.5	(0.1)	(18.7)	1.3	1.4	1.9	(0.4)	(30.9)				
18	Add: Interest Income	0.2	0.0	0.3	0.3	13,859.2	0.2	0.0	3.7	3.7	62,251.4				
19															
20	Net Available	\$ (6.1)	\$ (33.3)	\$ (5.7)	\$ 27.6	83.0	\$ (7.2)	\$ (45.0)	\$ (53.3)	\$ (8.3)	(18.4)				

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc. 2022 Financial Summary Variance Explanations As of June 2, 2022		
Line	Year-to-Date (April 30)	Year End (December 31)
1 System Administration Revenue	+\$1.2 M - Economy +\$0.2 M - Weather	+\$4.7 M - Based on current actuals and load forecast for remainder of year
3 Chief Information Office	+\$0.2 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - HW/SW support and maintenance renewals +\$0.1 M - Employee training and business travel <u>Timing Differences</u> +\$0.7 M - HW/SW support and maintenance renewals +\$0.5 M - HW/SW vendor support services +\$0.4 M - Professional services -\$0.6 M - Common infrastructure purchases	+\$0.5 M - Higher-than-budgeted vacancy [Resource Management-Staffing Management] +\$0.1 M - HW/SW support and maintenance renewals +\$0.1 M - Employee training and business travel -\$0.3 M - Conferencing
4 Chief Administrative Office	-\$0.1 M - Insurance premiums -\$0.1 M - Contingent labor [Resource Management - Staffing Management] +\$0.2 M - SPE M & N administration & servicing revenues +\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Office rent +\$0.2 M - Property tax +\$0.3 M - Minor capital purchases +\$0.1 M - Employee training and business travel +\$0.1 M - Professional services <u>Timing Differences</u> +\$0.7 M - Professional services +\$0.4 M - Equipment and maintenance	-\$2.0 M - Insurance premiums -\$1.0 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Equipment and maintenance +\$1.2 M - SPE M & N administration & servicing revenues +\$0.7 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.5 M - Office rent +\$0.4 M - Property tax +\$0.3 M - Minor capital purchases +\$0.2 M - Employee training and business travel +\$0.1 M - Professional services -\$0.1 M - Other miscellaneous

Electric Reliability Council of Texas, Inc. 2022 Financial Summary Variance Explanations As of June 2, 2022		
Line	Year-to-Date (April 30)	Year End (December 31)
5 System 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] -\$0.1 M - Research/studies -\$0.1 M - Black Start Training revenue <u>Timing Differences</u> +\$0.2 M - Consulting services +\$0.1 M - Black Start Training expense +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.1 M - Black Start Training revenue -\$0.1 M - Other miscellaneous	+\$0.2 M - Data service subscriptions +\$0.2 M - Employee training and business travel +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.4 M - Research/studies -\$0.1 M - Black Start Training revenue
6 Commercial Operations	-\$0.1 M - Consulting services +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	-\$0.3 M - Consulting services -\$0.3 M - Professional services -\$0.1 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Data service subscriptions +\$0.3 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Other miscellaneous
7 System Planning & Weatherization	-\$3.2 M - Inspection fee revenue -\$0.2 M - Interconnection revenue -\$0.2 M - Contingent labor [Resource Management - Staffing Management] +\$3.1 M - Inspection site visits expense <u>Timing Differences</u> +\$0.2 M - Research studies +\$0.1 M - Consulting services +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	-\$8.6 M - Inspection fee revenue -\$0.5 M - Interconnection revenue -\$0.4 M - Contingent labor [Resource Management - Staffing Management] +\$8.1 M - Inspection site visits expense
8 General Counsel	-\$3.6 M - Outside legal services +\$0.1 M - Board member expense +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	-\$4.0 M - Outside legal services +\$0.3 M - Board member expense +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]
9 External Affairs & Corporate Communications	+\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Professional services <u>Timing Differences</u> +\$0.4 M - Professional services	+\$0.7 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.1 M - Contingent labor [Resource Management - Staffing Management] -\$0.2 M - Professional services
10 Chief Executive Office	<u>Timing Differences</u> +\$0.1 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]	-\$0.3 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]
11 Project Funded Labor	-\$1.3 M - Multiple projects [Resource Management - Project-Funded Work]	-\$2.0 M - Multiple projects [Resource Management - Project-Funded Work]
15 Project Expenditures	+\$10.7 M - Multiple projects	-\$9.4 M - Data Center 5.0 program
16 Met Center Replacement	+\$15.2 M - Timing differences	-\$0.2 M - Acceleration of building purchase
17 Interest Expense	-\$0.1 M - Capitalized interest	-\$0.4 M - Capitalized interest
18 Interest Income	+\$0.3 M - Higher interest rate	+\$3.7 M - Higher interest rate

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

Line	Project	Year to Date As of April 30, 2022		Year End (YE) As of June 2, 2022		Life to Date As of April 30, 2022		Estimate at Completion (EAC) As of June 2, 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	\$ 3.8	11%	\$ 35.0	53%	\$ 10.2	16%	\$ 64.1	41%	\$ 60.0	\$ (4.1)
2	Energy Management System (EMS) Upgrade 2024	1.6	17%	9.3	14%	11.2	41%	27.1	17%	27.1	0.0
3	Resource Asset Registration Form (RARF) Replacement (RIOO)	0.9	37%	2.3	4%	12.4	88%	14.1	9%	14.0	(0.1)
4	Enterprise Content Alignment Program (ECAP)	0.3	19%	1.7	3%	6.6	82%	8.1	5%	8.1	0.0
5	Grid Geospatial (Grid Geo) Program	0.1	(167%)	(0.1)	0%	4.7	105%	4.4	3%	4.4	0.0
6	Delivery Tool Chain Modernization	0.3	100%	0.3	0%	3.3	99%	3.3	2%	3.4	0.1
7	NPRR863 Fast Frequency Response (FFR) Advancement	0.2	15%	1.1	2%	2.3	72%	3.2	2%	3.2	0.0
8	Microsoft SharePoint Migration	0.0	0%	0.8	1%	0.0	0%	2.4	2%	2.4	0.0
9	Treasury Management Risk Mitigation	0.0	0%	0.4	1%	0.0	0%	2.4	1%	2.4	0.0
10	Credit Monitoring and Management (CMM) Phase 2	0.0	0%	0.2	0%	2.1	93%	2.3	1%	2.3	0.0
11	Network Model Management System (NMMS) Tech Health	0.4	18%	2.1	3%	0.8	37%	2.2	1%	2.2	(0.0)
12	Total Projects with EAC Budget Over \$2.0M	7.5	14%	53.0	81%	53.5	40%	133.5	85%	129.4	(4.1)
13	Other Projects	0.5	4%	12.4	19%	10.2	42%	24.2	15%	25.2	0.9
14	Total Project Expenditures	\$ 8.0	12%	\$ 65.4	100%	\$ 63.7	40%	\$ 157.8	100%	\$ 154.5	\$ (3.2)

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**Statements of Financial Position****As of April 30, 2022 and 2021**

(Dollars in Thousands)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,287,938	\$ 365,594
Accounts receivable	2,866	2,232
Unbilled revenue	3,802	2,812
Restricted cash and cash equivalents	1,042,340	554,565
Prepaid expenses and other current assets	29,863	26,280
Total current assets	2,366,809	951,483
Long-term investments	4,000	-
Property and equipment, net	111,502	100,969
Systems under development	43,626	35,909
Other long term assets	724	860
Total assets	\$ 2,526,661	\$ 1,089,221
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,767	\$ 2,047
Accrued liabilities	19,146	15,226
Finance lease liabilities current	12,446	-
Deferred revenue	205	204
Market settlement liabilities	560,390	(148,642)
Security deposits	1,042,340	554,565
Debt payable, current portion	4,000	4,000
Total current liabilities	1,643,294	427,400
Long-term liabilities:		
Debt payable, less current portion:		
Principal	38,000	42,000
Less unamortized debt issuance costs	150	167
Debt payable less current portion and unamortized debt issuance costs	37,850	41,833
Long-term CRR liabilities	722,767	489,639
Other long-term liabilities	588	454
Total long-term liabilities	761,205	531,926
Total liabilities	2,404,499	959,326
Net assets without donor restrictions	122,162	129,895
Total liabilities and net assets	\$ 2,526,661	\$ 1,089,221

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Four Months Ended April 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Operating revenues		
System administration fees	\$ 70,154	\$ 64,114
Other services revenue	4,352	3,665
Total operating revenues	<u>74,506</u>	<u>67,779</u>
Operating expenses		
Salaries and related benefits	44,410	42,491
Facility and equipment costs	3,380	3,498
Outside services	11,080	5,051
Hardware and software maintenance and licensing	10,928	10,357
Depreciation	8,372	9,241
Other	4,494	2,103
Total operating expenses	<u>82,664</u>	<u>72,741</u>
Loss from operations	(8,158)	(4,962)
Other income (expense)		
Investment return, net	342	173
Interest expense	(497)	(442)
Non-operating income	-	2
Change in net assets without donor restrictions	<u>(8,313)</u>	<u>(5,229)</u>
Net assets without donor restrictions, beginning of year	<u>130,475</u>	<u>135,124</u>
Net assets without donor restrictions, end of period	<u>\$ 122,162</u>	<u>\$ 129,895</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Cash Flows
For the Four Months Ended April 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Operating activities:		
Change in net assets without donor restrictions	\$ (8,313)	\$ (5,229)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	8,372	9,241
Amortization of debt issuance costs	6	6
Repayments of interest portion of finance lease liabilities	(6)	-
Amortization of bond premium	-	290
Net gain on capital assets	-	(2)
Changes in operating assets and liabilities:		
Accounts receivable	2,197	2,791
Unbilled revenue	2,149	(205)
Prepaid expenses and other assets	(4,489)	507
Other long-term assets	143	183
Other long-term liabilities	(71)	(143)
Accounts payable	1,641	(1,608)
Accrued liabilities	(5,576)	(2,891)
Deferred revenue	(867)	(756)
Security deposits	(33,203)	(103,994)
Market settlement liabilities	(26,494)	(838,025)
Long-term CRR liabilities	234,173	112,592
Net cash provided by (used in) operating activities	<u>169,662</u>	<u>(827,243)</u>
Investing activities:		
Purchase of investments	-	(27,830)
Proceeds from investments	-	130,505
Capital expenditures for property and equipment and systems under development	(9,059)	(9,171)
Proceeds from sale of property and equipment	-	2
Net cash (used in) provided by investing activities	<u>(9,059)</u>	<u>93,506</u>
Financing activities:		
Repayment of debt payable	(1,000)	(1,000)
Repayments of principal portion of finance lease liabilities	(135)	-
Net cash (used in) financing activities	<u>(1,135)</u>	<u>(1,000)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	159,468	(734,737)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	2,170,810	1,654,896
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	<u>\$ 2,330,278</u>	<u>\$ 920,159</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of April 30, 2022
(Dollars in Thousands)

	Texas Electric Market			
	ERCOT	Stabilization Funding M	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,287,938	\$ 18,687	\$ -	\$ 1,306,625
Accounts receivable	2,866	17,623	-	20,489
Unbilled revenue	3,802	-	(250)	3,552
Restricted cash and cash equivalents	1,042,340	66,359	-	1,108,699
Prepaid expenses and other current assets	29,863	-	-	29,863
Total current assets	2,366,809	102,669	(250)	2,469,228
Long-term investments	4,000	-	(4,000)	-
Property and equipment, net	111,502	-	-	111,502
Systems under development	43,626	-	-	43,626
Default charges receivable, non current	-	777,671	-	777,671
Other long term assets	724	-	-	724
Total assets	\$ 2,526,661	\$ 880,340	\$ (4,250)	\$ 3,402,751
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 4,767	\$ -	\$ -	\$ 4,767
Accrued liabilities	19,146	11,857	(250)	30,753
Finance lease liabilities current	12,446	-	-	12,446
Deferred revenue	205	-	-	205
Market settlement liabilities	560,390	-	-	560,390
Security deposits	1,042,340	66,359	-	1,108,699
Debt payable, current portion	4,000	13,912	-	17,912
Total current liabilities	1,643,294	92,128	(250)	1,735,172
Long-term liabilities:				
Debt payable, less current portion:				
Principal	38,000	786,088	-	824,088
Less unamortized debt issuance costs	150	1,876	-	2,026
Debt payable less current portion and unamortized debt issuance costs	37,850	784,212	-	822,062
Long-term CRR liabilities	722,767	-	-	722,767
Other long-term liabilities	588	-	-	588
Total long-term liabilities	761,205	784,212	-	1,545,417
Total liabilities	2,404,499	876,340	(250)	3,280,589
Net assets without donor restrictions	122,162	4,000	(4,000)	122,162
Total liabilities and net assets	\$ 2,526,661	\$ 880,340	\$ (4,250)	\$ 3,402,751

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Activities and Net Assets
For the Four Months Ended April 30, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Eliminations	Consolidated
Operating revenues				
System administration fees	\$ 70,154	\$ -	\$ -	\$ 70,154
Other services revenue	4,352	-	(167)	4,185
Default charges fees	-	8,149	-	8,149
Total operating revenues	74,506	8,149	(167)	82,488
Operating expenses				
Salaries and related benefits	44,410	-	-	44,410
Facility and equipment costs	3,380	-	-	3,380
Outside services	11,080	175	(167)	11,088
Hardware and software maintenance and licensing	10,928	-	-	10,928
Depreciation	8,372	-	-	8,372
Other	4,494	-	-	4,494
Total operating expenses	82,664	175	(167)	82,672
Income (loss) from operations	(8,158)	7,974	-	(184)
Other income (expense)				
Investment return, net	342	-	-	342
Interest expense	(497)	(7,974)	-	(8,471)
Change in net assets without donor restrictions	(8,313)	-	-	(8,313)
Net assets without donor restrictions, beginning of year	130,475	4,000	(4,000)	130,475
Net assets without donor restrictions, end of period	\$ 122,162	\$ 4,000	\$ (4,000)	\$ 122,162

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Cash Flows
For the Four Months Ended April 30, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Eliminations	Consolidated
Operating activities:				
Change in net assets without donor restrictions	\$ (8,313)	\$ -	\$ -	\$ (8,313)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:				
Depreciation/amortization of assets	8,372	-	-	8,372
Amortization of debt issuance costs	6	23	-	29
Repayments of interest portion of finance lease liabilities	(6)	-	-	(6)
Changes in operating assets and liabilities:				
Accounts receivable	2,197	(3,711)	-	(1,514)
Unbilled revenue	2,149	3,264	167	5,580
Prepaid expenses and other assets	(4,489)	8	-	(4,481)
Default charges receivable, non current	-	6,510	-	6,510
Other long-term assets	143	-	-	143
Other long-term liabilities	(71)	-	-	(71)
Accounts payable	1,641	-	-	1,641
Accrued liabilities	(5,576)	8,593	(167)	2,850
Deferred revenue	(867)	-	-	(867)
Security deposits	(33,203)	5,940	-	(27,263)
Market settlement liabilities	(26,494)	-	-	(26,494)
Long-term CRR liabilities	234,173	-	-	234,173
Net cash provided by (used in) operating activities	<u>169,662</u>	<u>20,627</u>	<u>-</u>	<u>190,289</u>
Investing activities:				
Capital expenditures for property and equipment and systems under development	(9,059)	-	-	(9,059)
Net cash (used in) provided by investing activities	<u>(9,059)</u>	<u>-</u>	<u>-</u>	<u>(9,059)</u>
Financing activities:				
Repayment of debt payable	(1,000)	-	-	(1,000)
Repayments of principal portion of finance lease liabilities	(135)	-	-	(135)
Net cash (used in) provided by financing activities	<u>(1,135)</u>	<u>-</u>	<u>-</u>	<u>(1,135)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	159,468	20,627	-	180,095
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	<u>\$ 2,330,278</u>	<u>\$ 85,046</u>	<u>\$ -</u>	<u>\$ 2,415,324</u>