



Item 8.1: Review 2022 Financial Summary

Sean Taylor

Vice President and Chief Financial Officer

Finance and Audit Committee Meeting

ERCOT Public

February 27, 2023

Overview

- **Purpose**

- To provide the Finance and Audit (F&A) Committee an overview of ERCOT's preliminary, unaudited financial performance as of December 31, 2022

- **Voting Items / Requests**

- No action is requested of the F&A Committee or Board; for discussion only

- **Key Takeaways**

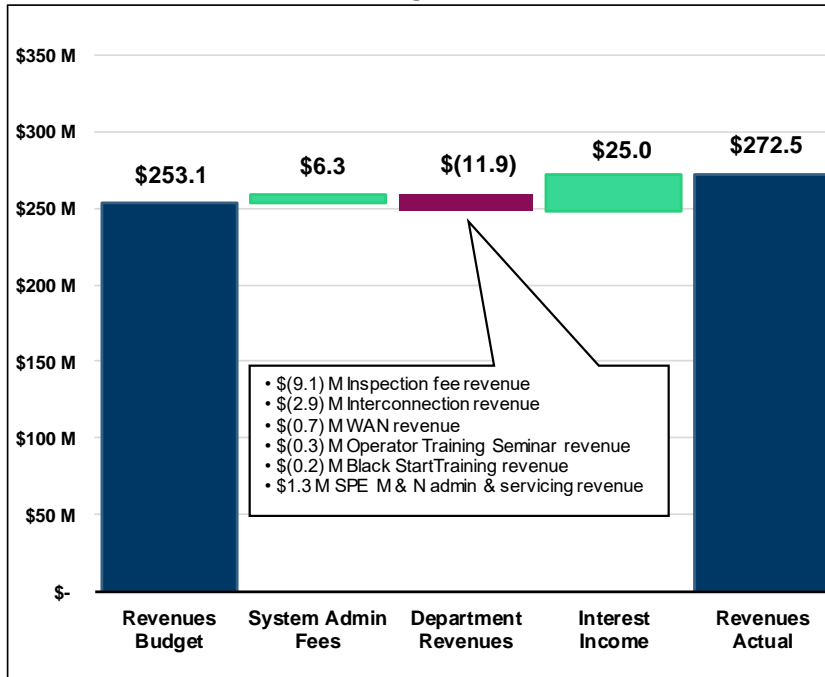
- Overall financial performance is consistent with what we have previously presented
- ERCOT's preliminary, unaudited 2022 actual revenues net of expenditures are \$29 million favorable to budget, driven by interest income being favorable by \$25 million and System Administration Fee revenues being favorable by \$6 million
- ERCOT's unrestricted cash and bond investments have increased approximately \$1.2 billion year-over-year, driven by an increase in Congestion Revenue Right (CRR) auction receipts held which includes the full replenishment of CRRs temporarily used for market liquidity
- ERCOT's December 31, 2022 operating use of CRR funds was \$24 million compared to \$0 as of December 31, 2021 when ERCOT held \$20 million in operating cash



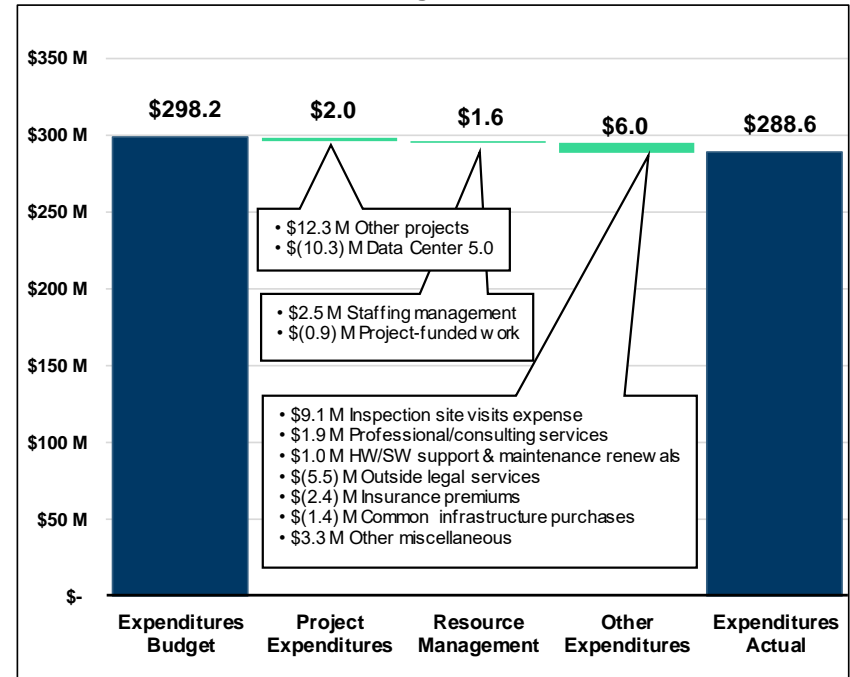
Review 2022 Financial Summary: 2022 Variance to Budget (\$ in Millions)

Preliminary Net Available Year-End Variance to Budget = \$29.0 M

Preliminary Revenues Year-End
Variance to Budget = \$19.4 M [7.7%]



Preliminary Expenditures Year-End
Variance to Budget = \$9.6M [3.2%]



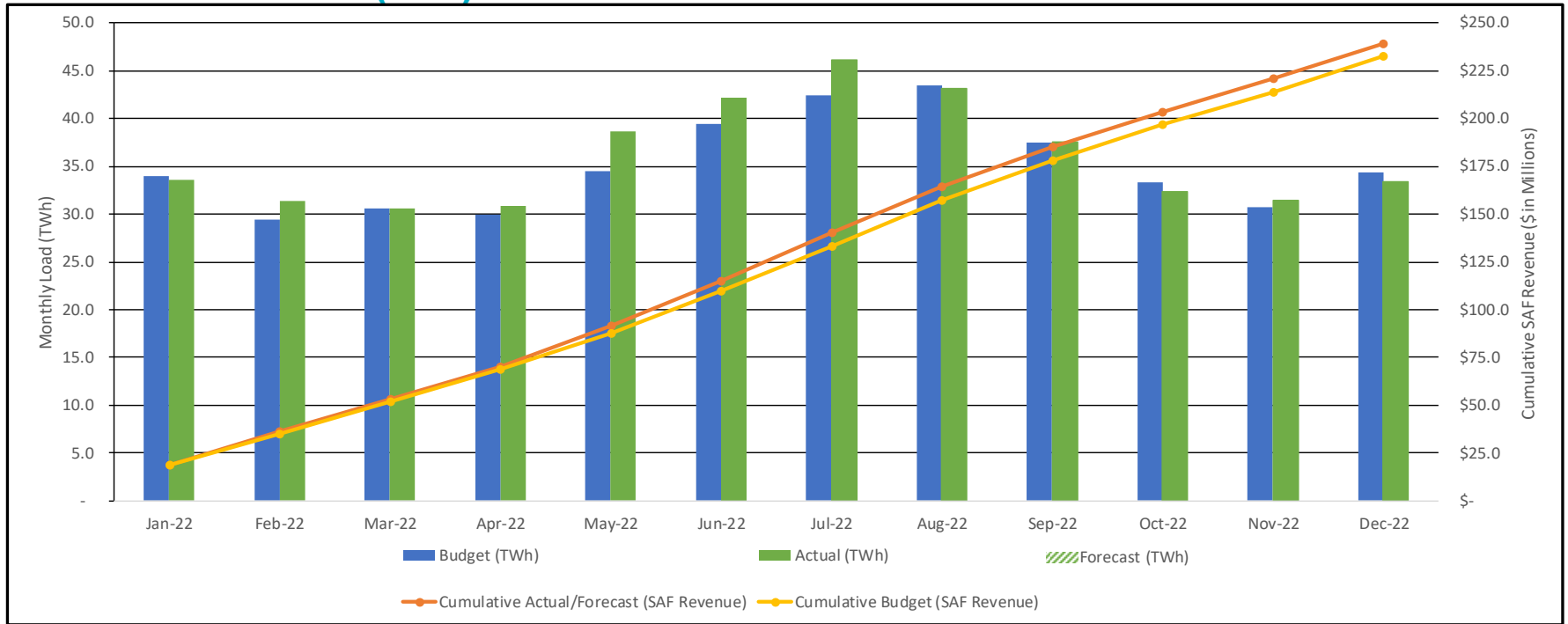
Charts may not foot due to rounding

Key Takeaway: Preliminary, unaudited 2022 results are a net available amount of \$(16) M versus a budgeted amount of \$(45) M, a \$29 M favorable variance



Review 2022 Financial Summary:

2022 Budget versus Actual: Monthly TWh Load and Cumulative System Administration Fee (SAF) Revenue



Load (TWh):	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
Budget	34.0	29.5	30.5	29.9	34.5	39.4	42.5	43.4	37.4	33.3	30.8	34.4	419.6
Actual	33.5	31.4	30.6	30.9	38.6	42.1	46.1	43.1	37.5	32.3	31.4	33.4	431.0
Variance	(0.5)	1.9	0.0	1.0	4.1	2.7	3.7	(0.3)	0.1	(1.1)	0.6	(0.9)	11.4
Variance (%)	-1.3%	6.5%	0.1%	3.4%	12.0%	6.9%	8.7%	-0.8%	0.2%	-3.2%	2.0%	-2.7%	2.7%

SAF Revenue (\$ in Millions)	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
Cumulative Budget	\$ 18.9	\$ 35.2	\$ 52.2	\$ 68.8	\$ 87.9	\$ 109.8	\$ 133.4	\$ 157.4	\$ 178.2	\$ 196.7	\$ 213.8	\$ 232.9	\$ 232.9
Cumulative Actual	\$ 18.6	\$ 36.0	\$ 53.0	\$ 70.2	\$ 91.6	\$ 115.0	\$ 140.6	\$ 164.5	\$ 185.3	\$ 203.2	\$ 220.7	\$ 239.2	\$ 239.2
Cumulative Variance	\$ (0.3)	\$ 0.8	\$ 0.8	\$ 1.4	\$ 3.7	\$ 5.2	\$ 7.2	\$ 7.1	\$ 7.1	\$ 6.5	\$ 6.9	\$ 6.3	\$ 6.3
Cumulative Variance (%)	-1.3%	2.3%	1.6%	2.0%	4.2%	4.7%	5.4%	4.5%	4.0%	3.3%	3.2%	2.7%	2.7%



Review 2022 Financial Summary: ERCOT Statements of Financial Position

As of December 31
Dollars in Millions

	ERCOT		Texas Electric Market Stabilization Funding M		Texas Electric Market Stabilization Funding N	
	2022	2021	2022	2021	2022	2021
Assets						
Unrestricted cash	\$ 1,819.8	\$ 1,095.3	\$ 25.5	\$ 4.0	\$ 77.4	\$ -
Bond Investments	506.2	-	-	-	-	-
Total unrestricted cash and bond investments	2,326.0	1,095.3	25.5	4.0	77.4	-
Restricted cash and interest receivable	1,786.3	1,075.5	18.7	60.4	3.0	-
Other current assets	53.4	36.4	392.1	17.2	43.4	-
Long-term investment in subsidiary	14.6	4.0	-	-	-	-
Other long-term assets	181.5	156.7	392.5	784.2	2,049.3	-
Total assets	\$ 4,361.8	\$ 2,367.9	\$ 828.8	\$ 865.8	\$ 2,173.1	\$ -
Liabilities and Net Assets						
CRR auction liabilities-current	\$ 1,128.1	\$ 756.0	\$ -	\$ -	\$ -	\$ -
CRR auction liabilities-long term	845.6	488.6	-	-	-	-
Other market liabilities	375.6	105.9	-	-	-	-
Use of CRR for market liquidity	-	(275.0)	-	-	-	-
Total market settlement liabilities	2,349.3	1,075.5	-	-	-	-
Security deposits and interest payable	1,404.0	1,075.5	18.7	60.4	3.0	-
Other current liabilities	417.8	46.9	409.4	7.5	92.6	-
Other long-term liabilities	35.6	39.5	396.7	793.9	2,066.9	-
Net assets without donor restrictions	155.1	130.5	4.0	4.0	10.6	-
Total liabilities and net assets	\$ 4,361.8	\$ 2,367.9	\$ 828.8	\$ 865.8	\$ 2,173.1	\$ -

Notes to balance as of December 31, 2022

1. Unrestricted cash and Other current liabilities of ERCOT include \$0.5M Subchapter N invoice-related amounts not yet transferred to SPE N.
2. Restricted cash and interest receivable of ERCOT includes \$1,374.1M market participants' cash collateral, \$24.5M funds from N bonds distribution not distributed to LSEs who left ERCOT market, \$5.4M interest receivable from restricted cash investment, and \$382.3M funds to early pay down M funds in February 2023. The early pay down funds are recorded in other current liabilities as payable to TEMSFM, not in security deposits, resulting in the difference between restricted cash and security deposits.
3. Restricted cash and interest receivable of TEMSFM includes \$13.7M market participants' cash collateral, \$4.1M debt service reserve, and \$0.8M supplemental capital contribution, and \$0.1M interest receivable from restricted cash investment.
4. Restricted cash and interest receivable of TEMSFN includes \$3.0M market participants' cash collateral.



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

*For the Twelve Months Ended December 31
Dollars in Millions*

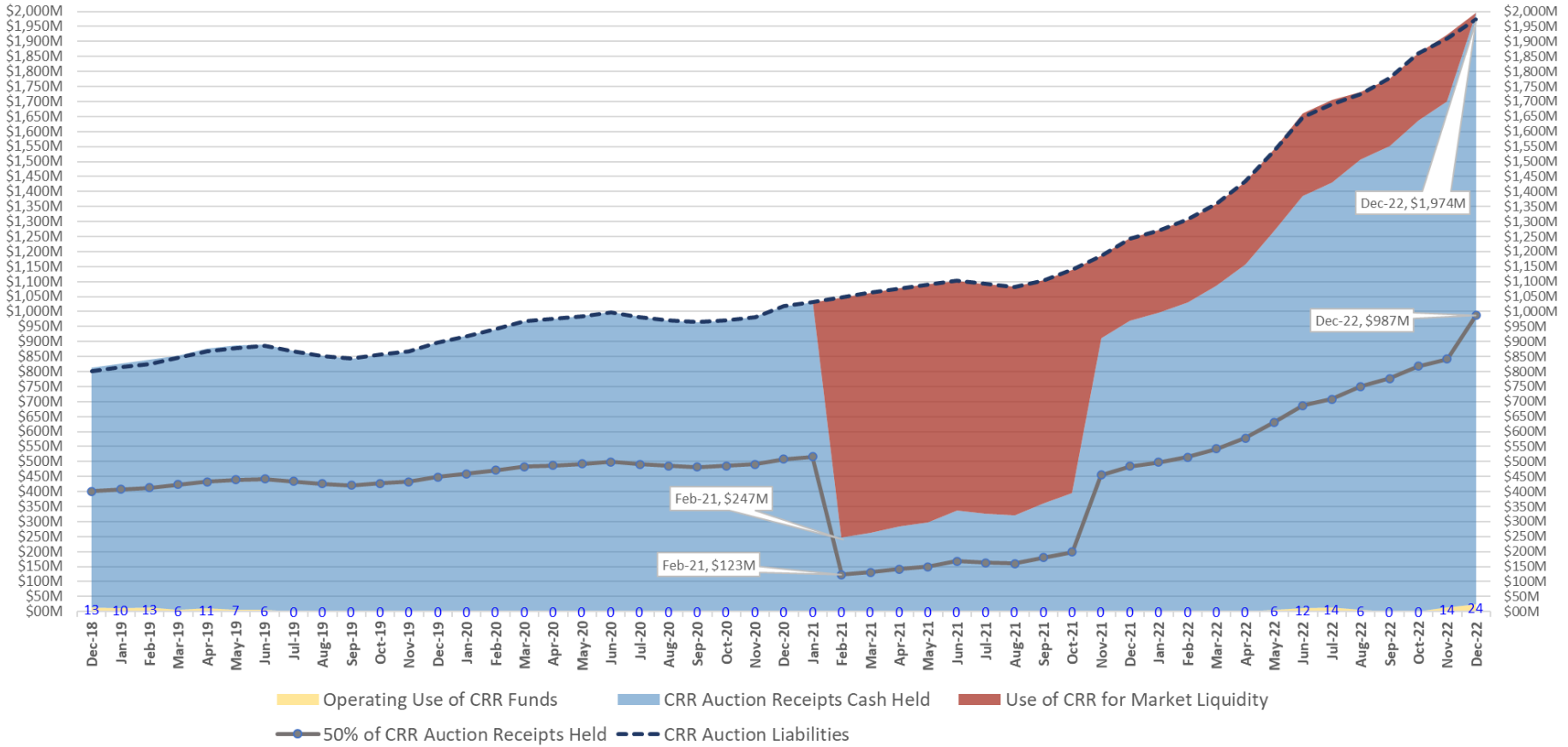
	ERCOT		Texas Electric Market Stabilization Funding M		Texas Electric Market Stabilization Funding N	
	2022	2021	2022	2021	2022	2021
Operating revenues	\$ 247.8	\$ 229.7	\$ 24.4	\$ 3.3	\$ 56.4	\$ -
Operating expenses	247.1	233.3	0.8	0.1	0.8	-
Income (loss) from operations	0.7	(3.6)	23.6	3.2	55.6	-
Other income (expense)	23.9	(1.0)	(23.6)	(3.2)	(55.6)	-
Change in net assets without donor restrictions	24.6	(4.6)	-	-	-	-
Net assets without donor restrictions, beginning of year	130.5	135.1	4.0	-	-	-
Equity contribution from parent company	-	-	-	4.0	10.6	-
Net assets without donor restrictions, end of period	\$ 155.1	\$ 130.5	\$ 4.0	\$ 4.0	\$ 10.6	\$ -

Key Takeaway: ERCOT's net assets without donor restrictions (equity) increased by approximately \$25 M year-over-year, driven by approximately \$25 M of net investment return (interest income)



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

Use of CRR Funds: Actual vs Limits



Key Takeaway: As of December 2022, Operating Use of CRR Funds is approximately \$24 M



Review 2022 Financial Summary:

Appendices

Electric Reliability Council of Texas, Inc.						
2022 Financial Summary						
As of February 9, 2023						
(\$ in Millions)						
Preliminary 2022 Year End						
Line	2021		2022			
	Actual	Budget	Actual	<u>Variance</u>		
			\$	\$	%	
1	System Administration Revenue	\$ 218.3	\$ 232.9	\$ 239.2	\$ 6.3	2.7
2	Department Net Expenditures					
3	Chief Information Office	84.6	94.0	91.8	2.2	2.3
4	Chief Administrative Office	44.2	55.1	52.9	2.2	4.0
5	System Operations	21.4	23.6	23.8	(0.2)	(0.7)
6	Commercial Operations	16.5	16.7	16.1	0.6	3.4
7	System Planning & Weatherization	11.3	10.0	13.1	(3.2)	(31.7)
8	General Counsel	12.6	9.1	14.0	(5.0)	(54.8)
9	Public Affairs	6.7	8.1	7.0	1.1	13.5
10	Chief Executive Office	2.2	2.2	2.8	(0.6)	(25.7)
11	Project Funded Labor	(10.6)	(13.4)	(11.7)	(1.7)	(12.4)
12	Total Department Net Expenditures	188.9	205.3	209.7	(4.5)	(2.2)
13	Net Revenues After Department Expenditures	29.4	27.6	29.5	1.9	6.8
14						
15	Less: Project Expenditures	30.8	56.0	54.0	2.0	3.5
16	Less: Met Center Replacement	4.8	15.2	15.4	(0.2)	(1.2)
17	Less: Interest Expense	1.3	1.4	1.1	0.4	24.7
18	Add: Interest Income	0.2	0.0	25.0	25.0	>100.0
19						
20	Net Available	\$ (7.2)	\$ (45.0)	\$ (16.0)	\$ 29.0	64.4

Note: Schedule may not foot due to rounding

Electric Reliability Council of Texas, Inc.
2022 Financial Summary Variance Explanations
As of February 9, 2023

Line	Preliminary 2022 Year End
1 System Administration Revenue	+\$6.2 M - Economy +\$0.1 M - Weather
3 Chief Information Office	+\$0.9 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.8 M - HW/SW vendor support services [Resource Management - Project-Funded Work] +\$0.8 M - HW/SW support & maintenance renewals +\$0.6 M - Contingent labor +\$0.5 M - WAN costs +\$0.3 M - Professional services +\$0.2 M - Rentals & leases +\$0.1 M - Employee training & business travel -\$1.4 M - Common infrastructure purchases -\$0.7 M - WAN revenue +\$0.1 M - Other miscellaneous
4 Chief Administrative Office	+\$1.3 M - Professional services +\$1.3 M - SPE M & N administration & servicing revenue +\$0.6 M - Property tax +\$0.6 M - Minor capital purchases +\$0.5 M - Office rent +\$0.4 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Equipment & maintenance +\$0.1 M - HW/SW maintenance +\$0.1 M - Employee training & business travel -\$2.4 M - Insurance premiums -\$0.5 M - Contingent labor [Resource Management - Staffing Management]

Electric Reliability Council of Texas, Inc.	
2022 Financial Summary Variance Explanations	
As of February 9, 2023	
Line	Preliminary 2022 Year End
5 System Operations	-\$0.3 M - Research/studies -\$0.3 M - Operator Training Seminar revenue -\$0.2 M - Black Start Training revenue -\$0.1 M - Professional fees - training -\$0.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.3 M - Data service subscriptions +\$0.1 M - Employee training & business travel +\$0.1 M - Black Start Training expense +\$0.1 M - Operator Training Seminar expense +\$0.1 M - Consulting services +\$0.1 M - Professional services
6 Commercial Operations	+\$0.9 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] -\$0.2 M - Consulting services -\$0.2 M - Contingent labor [Resource Management - Staffing Management] +\$0.1 M - Other miscellaneous
7 System Planning & Weatherization	-\$9.1 M - Inspection fee revenue -\$2.9 M - Interconnection revenue -\$0.6 M - Contingent labor [Resource Management - Staffing Management] -\$0.1 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management] +\$9.1 M - Inspection site visits expense +\$0.3 M - Research/studies +\$0.2 M - Consulting services -\$0.1 M - Other miscellaneous
8 General Counsel	-\$5.5 M - Outside legal services +\$0.3 M - Board member expense +\$0.2 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management]
9 Public Affairs	+\$0.7 M - Higher-than-budgeted vacancy [Resource Management - Staffing Management] +\$0.2 M - Professional services +\$0.1 M - Contingent labor [Resource Management - Staffing Management] +\$0.1 M - Other miscellaneous
10 Chief Executive Office	-\$0.6 M - Lower-than-budgeted vacancy [Resource Management - Staffing Management]
11 Project Funded Labor	-\$1.7 M - Multiple projects [Resource Management - Project-Funded Work]
15 Project Expenditures	+\$2.0 M - All projects
16 Met Center Replacement	-\$0.2 M - Acceleration of building purchase
17 Interest Expense	+\$0.8 M - Revolver -\$0.4 M - Capitalized interest
18 Interest Income	+\$25.0 M - Higher interest rate

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

Line	Project	Year to Date As of December 31, 2022		Life to Date As of December 31, 2022		Estimate at Completion (EAC) As of February 9, 2023			
		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	\$ 35.9	66%	\$ 42.4	69%	\$ 61.1	39%	\$ 63.5	\$ 2.3
2	Energy Management System (EMS) Upgrade 2024	3.2	6%	12.8	65%	19.7	12%	20.0	0.3
3	Resource Asset Registration Form (RARF) Replacement (RIOO)	2.4	4%	14.3	99%	14.4	9%	14.3	(0.2)
4	Enterprise Content Alignment Program (ECAP)	1.0	2%	7.3	100%	7.3	5%	8.1	0.8
5	Grid Geospatial (Grid Geo) Program	0.6	1%	5.1	87%	5.9	4%	6.0	0.0
6	Delivery Tool Chain Modernization	0.3	1%	3.3	100%	3.3	2%	3.4	0.1
7	NPRR863 Fast Frequency Response (FFR) Advancement	0.9	2%	3.0	100%	3.0	2%	3.2	0.2
8	Bulk Electrical System (BES) Active Directory Isolation	2.1	4%	2.7	92%	2.9	2%	2.9	(0.0)
9	Treasury Management Risk Mitigation	0.1	0%	0.1	6%	2.3	1%	2.3	0.0
10	Network Model Management System (NMMS) Tech Health	2.0	4%	2.5	109%	2.3	1%	2.3	0.0
11	Total Projects with EAC Budget Over \$2.0M	48.6	90%	93.4	76%	122.2	77%	125.8	3.5
12	Other Projects	5.4	10%	14.3	40%	35.6	23%	42.3	6.6
13	Total Project Expenditures	\$ 54.0	100%	\$ 107.7	68%	\$ 157.9	100%	\$ 168.1	\$ 10.2

Note: Schedule may not foot due to rounding

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Financial Position
As of December 31, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,819,793	\$ 1,095,267
Accounts receivable	18,735	5,063
Unbilled revenue	5,199	5,951
Restricted cash and cash equivalents	1,780,854	1,075,543
Short-term investments	505,019	-
Prepaid expenses and other current assets	36,144	25,374
Total current assets	4,165,744	2,207,198
Long-term investments	14,579	4,000
Property and equipment, net	126,686	115,632
Systems under development	53,865	40,209
Other long term assets	901	867
Total assets	\$ 4,361,775	\$ 2,367,906
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,929	\$ 3,108
Accrued liabilities	403,652	24,085
Finance lease liabilities current	-	12,642
Deferred revenue	7,670	3,072
Market settlement liabilities	1,503,670	586,884
Security deposits	1,398,561	1,075,543
Debt payable, current portion	4,000	4,000
Total current liabilities	3,325,482	1,709,334
Long-term liabilities:		
Debt payable, less current portion:		
Principal	35,000	39,000
Less unamortized debt issuance costs	138	156
Debt payable less current portion and unamortized debt issuance costs	34,862	38,844
Long-term CRR liabilities	845,586	488,594
Other long-term liabilities	743	659
Total long-term liabilities	881,191	528,097
Total liabilities	4,206,673	2,237,431
Net assets without donor restrictions	155,102	130,475
Total liabilities and net assets	\$ 4,361,775	\$ 2,367,906

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
Statements of Activities and Net Assets
For the Twelve Months Ended December 31, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Operating revenues		
System administration fees	\$ 239,225	\$ 218,339
Other services revenue	8,569	11,366
Total operating revenues	247,794	229,705
Operating expenses		
Salaries and related benefits	133,128	123,635
Facility and equipment costs	9,499	10,860
Outside services	24,907	27,060
Hardware and software maintenance and licensing	36,506	32,808
Depreciation	26,260	27,902
Other	16,784	11,020
Total operating expenses	247,084	233,285
Income (loss) from operations	710	(3,580)
Other income (expense)		
Investment return, net	24,987	200
Interest expense	(1,071)	(1,271)
Non-operating income	1	2
Change in net assets without donor restrictions	24,627	(4,649)
Net assets without donor restrictions, beginning of year	130,475	135,124
Net assets without donor restrictions, end of period	\$ 155,102	\$ 130,475

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statements of Cash Flows

For the Twelve Months Ended December 31, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Operating activities:		
Change in net assets without donor restrictions	\$ 24,627	\$ (4,649)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation/amortization of assets	26,260	27,902
Amortization of debt issuance costs	18	17
Interest expense accrual on finance lease liabilities	-	5
Repayments of interest portion of finance lease liabilities	(6)	-
Amortization of bond (discount) premium	(4,714)	290
Unrealized losses on bond investments	2,259	-
Net gain on capital assets	-	(1)
Changes in operating assets and liabilities:		
Accounts receivable	(13,672)	(40)
Unbilled revenue	752	(3,344)
Prepaid expenses and other assets	(10,770)	1,414
Other long-term assets	(34)	175
Other long-term liabilities	84	62
Accounts payable	4,809	(247)
Accrued liabilities	380,035	4,847
Deferred revenue	4,598	2,112
Security deposits	323,018	416,984
Market settlement liabilities	916,786	(102,499)
Long-term CRR liabilities	356,992	111,547
Net cash provided by operating activities	<u>2,011,042</u>	<u>454,575</u>
Investing activities:		
Purchase of investments	(614,793)	(27,830)
Proceeds from investments	112,229	130,505
Investment in subsidiary	(10,579)	(4,000)
Capital expenditures for property and equipment and systems under development	(63,927)	(33,338)
Proceeds from sale of property and equipment	-	2
Net cash (used in) provided by investing activities	<u>(577,070)</u>	<u>65,339</u>
Financing activities:		
Repayment of debt payable	(4,000)	(4,000)
Repayments of principal portion of finance lease liabilities	(135)	-
Net cash (used in) financing activities	<u>(4,135)</u>	<u>(4,000)</u>
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	1,429,837	515,914
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>\$ 3,600,647</u>	<u>\$ 2,170,810</u>

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Financial Position
As of December 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,819,793	\$ 25,482	\$ 77,401	\$ -	\$ 1,922,676
Accounts receivable	18,735	392,231	41,520	(383,681)	68,805
Unbilled revenue	5,199	-	1,843	(1,009)	6,033
Restricted cash and cash equivalents	1,780,854	18,565	3,039	-	1,802,458
Current investments	505,019	-	-	-	505,019
Prepaid expenses and other current assets	36,144	2	-	-	36,146
Total current assets	4,165,744	436,280	123,803	(384,690)	4,341,137
Long-term investments	14,579	-	-	(14,579)	-
Property and equipment, net	126,686	-	-	-	126,686
Systems under development	53,865	-	-	-	53,865
Securitization charges receivable, non current	-	392,500	2,049,298	-	2,441,798
Other long term assets	901	-	-	-	901
Total assets	\$ 4,361,775	\$ 828,780	\$ 2,173,101	\$ (399,269)	\$ 6,964,387
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 7,929	\$ 4	\$ -	\$ -	\$ 7,933
Accrued liabilities	403,652	12,489	57,074	(384,690)	88,525
Deferred revenue	7,670	-	-	-	7,670
Market settlement liabilities	1,503,670	-	-	-	1,503,670
Security deposits	1,398,561	18,565	3,039	-	1,420,165
Debt payable, current portion	4,000	396,974	35,532	-	436,506
Total current liabilities	3,325,482	428,032	95,645	(384,690)	3,464,469
Long-term liabilities:					
Debt payable, less current portion:					
Principal	35,000	398,782	2,080,168	-	2,513,950
Less unamortized discount and debt issuance costs	138	2,034	13,291	-	15,463
Debt payable less current portion and unamortized discount and debt issuance costs	34,862	396,748	2,066,877	-	2,498,487
Long-term CRR liabilities	845,586	-	-	-	845,586
Other long-term liabilities	743	-	-	-	743
Total long-term liabilities	881,191	396,748	2,066,877	-	3,344,816
Total liabilities	4,206,673	824,780	2,162,522	(384,690)	6,809,285
Net assets without donor restrictions	155,102	4,000	10,579	(14,579)	155,102
Total liabilities and net assets	\$ 4,361,775	\$ 828,780	\$ 2,173,101	\$ (399,269)	\$ 6,964,387

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Activities and Net Assets
For the Twelve Months Ended December 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Operating revenues					
System administration fees	\$ 239,225	\$ -	\$ -	\$ -	\$ 239,225
Other services revenue	8,569	-	-	(1,175)	7,394
Securitization charges fees	-	24,417	56,372	-	80,789
Total operating revenues	247,794	24,417	56,372	(1,175)	327,408
Operating expenses					
Salaries and related benefits	133,128	-	-	-	133,128
Facility and equipment costs	9,499	-	-	-	9,499
Outside services	24,907	772	801	(1,175)	25,305
Hardware and software maintenance and licensing	36,506	-	-	-	36,506
Depreciation	26,260	-	-	-	26,260
Other	16,784	1	-	-	16,785
Total operating expenses	247,084	773	801	(1,175)	247,483
Income from operations	710	23,644	55,571	-	79,925
Other income (expense)					
Investment return, net	24,987	195	476	-	25,658
Interest expense	(1,071)	(23,839)	(56,047)	-	(80,957)
Non-operating income	1	-	-	-	1
Change in net assets without donor restrictions	24,627	-	-	-	24,627
Net assets without donor restrictions, beginning of year	130,475	4,000	-	(4,000)	130,475
Equity contribution from parent company	-	-	10,579	(10,579)	-
Net assets without donor restrictions, end of period	\$ 155,102	\$ 4,000	\$ 10,579	\$ (14,579)	\$ 155,102

ELECTRIC RELIABILITY COUNCIL OF TEXAS
Consolidated Statements of Cash Flows
For the Twelve Months Ended December 31, 2022
(Dollars in Thousands)

	ERCOT	Texas Electric Market Stabilization Funding M	Texas Electric Market Stabilization Funding N	Eliminations	Consolidated
Operating activities:					
Change in net assets without donor restrictions	\$ 24,627	\$ -	\$ -	\$ -	\$ 24,627
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:					
Depreciation/amortization of assets	26,260	-	-	-	26,260
Amortization of discount & debt issuance costs	18	78	407	-	503
Repayments of interest portion of finance lease liabilities	(6)	-	-	-	(6)
Amortization of bond investment discount	(4,714)	-	-	-	(4,714)
Unrealized losses on bond investments	2,259	-	-	-	2,259
Changes in operating assets and liabilities:					
Accounts receivable	(13,672)	(378,319)	(41,520)	383,681	(49,830)
Unbilled revenue	752	3,264	(1,843)	925	3,098
Prepaid expenses and other assets	(10,770)	6	-	-	(10,764)
Securitization charges receivable, non current	-	391,681	(2,049,298)	-	(1,657,617)
Other long-term assets	(34)	-	-	-	(34)
Other long-term liabilities	84	-	-	-	84
Accounts payable	4,809	4	-	-	4,813
Accrued liabilities	380,035	9,012	56,566	(384,606)	61,007
Deferred revenue	4,598	-	-	-	4,598
Security deposits	323,018	(41,854)	3,039	-	284,203
Market settlement liabilities	916,786	-	-	-	916,786
Long-term CRR liabilities	356,992	-	-	-	356,992
Net cash provided by (used in) operating activities	2,011,042	(16,128)	(2,032,649)	-	(37,735)
Investing activities:					
Purchase of investments	(614,793)	-	-	-	(614,793)
Proceeds from investments	112,229	-	-	-	112,229
Investment in subsidiary	(10,579)	-	-	10,579	-
Capital expenditures for property and equipment and systems under development	(63,927)	-	-	-	(63,927)
Net cash (used in) investing activities	(577,070)	-	-	10,579	(566,491)
Financing activities:					
Proceeds from parent company investment	-	-	10,579	(10,579)	-
Proceeds from debt issuance	-	-	2,115,542	-	2,115,542
Repayment of debt payable	(4,000)	(4,244)	-	-	(8,244)
Payment of debt issuance costs	-	-	(13,032)	-	(13,032)
Repayments of principal portion of finance lease liabilities	(135)	-	-	-	(135)
Net cash (used in) provided by financing activities	(4,135)	(4,244)	2,113,089	(10,579)	2,094,131
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	1,429,837	(20,372)	80,440	-	1,489,905
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	\$ 3,600,647	\$ 44,047	\$ 80,440	\$ -	\$ 3,725,134

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	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,095,267	\$ 4,000	\$ -	\$ 1,099,267
Accounts receivable	5,063	13,912	-	18,975
Unbilled revenue	5,951	3,264	(83)	9,132
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
Securitization 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
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 3,108	\$ -	\$ -	\$ 3,108
Accrued liabilities	24,085	3,264	(83)	27,266
Finance lease liabilities current	12,642	-	-	12,642
Deferred revenue	3,072	-	-	3,072
Market settlement liabilities	586,884	-	-	586,884
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 discount and debt issuance costs	156	1,899	-	2,055
Debt payable less current portion and unamortized discount and 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)

	Texas Electric Market			
	ERCOT	Stabilization Funding M	Eliminations	Consolidated
Operating revenues				
System administration fees	\$ 218,339	\$ -	\$ -	\$ 218,339
Other services revenue	11,366	-	(83)	11,283
Securitization 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	-	-	11,020
Total operating expenses	233,285	83	(83)	233,285
(Loss) income from operations	(3,580)	3,190	-	(390)
Other income (expense)				
Investment return, net	200	-	-	200
Interest expense	(1,271)	(3,190)	-	(4,461)
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	-	-	135,124
Equity contribution from parent company	-	4,000	(4,000)	-
Net assets without donor restrictions, end of period	<u>\$ 130,475</u>	<u>\$ 4,000</u>	<u>\$ (4,000)</u>	<u>\$ 130,475</u>

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

	Texas Electric Market			
	ERCOT	Stabilization Funding M	Eliminations	Consolidated
Operating activities:				
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	(3,344)	(3,264)	83	(6,525)
Prepaid expenses and other assets	1,414	(8)	-	1,406
Securitization 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	4,847	3,264	(83)	8,028
Deferred revenue	2,112	-	-	2,112
Security deposits	416,984	60,419	-	477,403
Market settlement liabilities	(102,499)	-	-	(102,499)
Long-term CRR liabilities	111,547	-	-	111,547
Net cash provided by (used in) operating activities	<u>454,575</u>	<u>(737,673)</u>	<u>-</u>	<u>(283,098)</u>
Investing activities:				
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	(33,338)	-	-	(33,338)
Proceeds from sale of property and equipment	2	-	-	2
Net cash provided by investing activities	<u>65,339</u>	<u>-</u>	<u>4,000</u>	<u>69,339</u>
Financing activities:				
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	515,914	64,419	-	580,333
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>\$ 2,170,810</u>	<u>\$ 64,419</u>	<u>\$ -</u>	<u>\$ 2,235,229</u>