



Control Number: 27706



Item Number: 241

Addendum StartPage: 0

PROJECT NO. 27706

**REPORTS OF THE ELECTRIC
RELIABILITY COUNCIL OF TEXAS**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

ERCOT'S REPORT FOR THE SECOND QUARTER OF 2012

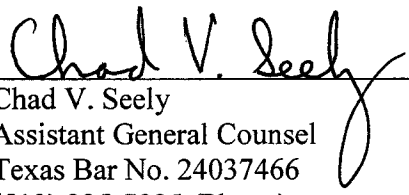
COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and files its Report for the Second Quarter of 2012 pursuant to PUC SUBST. R. §25.362(i)(3). Attachments marked with an asterisk (*) contain information which is proprietary and confidential and shall be provided in accordance with Commission policy set forth in PUC PROC. R. §22.71 and PUC SUBST. R. §25.362. The following documents comprise this report:

Public Utility Commission of Texas
12/11/12
CONFIDENTIAL

SUBST. R. Section	Document Description	Attachments
§25.362(i)(3)(A)	Any internal Audit Reports that were produced during the reporting quarter.	
	2012 Approved Audit Plan June 30, 2012	A
	Audit Cover Letter: 2012 Annual Report on Fraud Prevention, Monitoring, and Testing Program	A1
	Audit: 2012 Annual Report on Fraud Prevention, Monitoring, and Testing Program	A2*
	Audit Cover Letter: 2012 Audit of Accounts Payable	A3
	Audit: 2012 Audit of Accounts Payable	A4*
	Audit Cover Letter: Targeted Review of Vendors for Compliance with Contract Terms and Conditions	A5
	Audit: Targeted Review of Vendors for Compliance with Contract Terms and Conditions	A6*
	Audit Cover Letter: Congestion Revenue Rights (CRR) Process	A7
	Audit: Congestion Revenue Rights (CRR) Process	A8*
	Audit Cover Letter: Identity and Access Management Processes	A9
	Audit: Identity and Access Management Processes	A10*
	Audit Cover Letter: Protocol 1.4.3.1 Confidentiality Compliance Audit	A11
	Audit: Protocol 1.4.3.1 Confidentiality Compliance Audit	A12*
	Audit Cover Letter: ERCOT's Shared Drives	A13
	Audit: ERCOT's Shared Drives	A14*
	2012 Vulnerability Assessments Follow-up Process Memorandum	A15*

§§25.362(i)(3)(B) and 25.88	A report on performance measures, as prescribed by the commission.	Not attached - this Report is filed in Project No. 36141
§25.362(i)(3)(C)	By Account item as established in the fee-filing package prescribed by the commission under 22.252 of this title (relating to Procedures for Approval of ERCOT Fees and Rates) a report of: (i) ERCOT fees and other rates, funds allocated, funds encumbered, and funds expended; (ii) An explanation for expenditures deviating from the original funding allocation for the particular account item; (iii) For the report covering the fourth quarter of ERCOT's fiscal year, a detailed explanation of how unexpended funds will be expended in the subsequent year.	B B1

Respectfully submitted,

By: 
Chad V. Seely
Assistant General Counsel
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ERCOT
7620 Metro Center Drive
Austin, Texas 78744

ATTORNEY FOR ELECTRIC
RELIABILITY COUNCIL OF TEXAS, INC.

INTERNAL AUDIT DEPARTMENT									
APPROVED AUDIT PLAN FOR 2012 (Reviewed and Updated through June 30, 2012)									
Row #	Audit Entity	Financial, Operational, Technological	Annual or Periodic	Plan Year	Quarter Planned	Process Owner	Process Director/ Officer	Lead Auditor/ Assisting Auditor(s)	Report Number and Issuance Date
1	Audit of the Market Credit Process		A	2011	Completed	Cheryl Yager	Mark Ruane	Chris Langan April Vega	Report # 2012-01 Report Issued 7/30/2012
2	Audit Department Activities								
3	2013 Annual Audit Planning	N/A	A	2012	Q3 - Q4	Bill Wullenjohn	Bill Wullenjohn	Michelle Myers Michael Ratemo	Planning for the 2013 Audit Plan will begin in July 2012
4	Preparation of Finance & Audit Committee audit packet materials, maintaining current year's audit plan, and Quarterly Reporting to the PUCT (via Legal)	N/A	A	2012	Continuous	Rachel Holcombe April Vega	Bill Wullenjohn	Rachel Holcombe April Vega	Continuous
5	EthicsPoint Administration	F.O	A	2012	Continuous	Rachel Holcombe Michelle Myers	Bill Magness	Rachel Holcombe Michelle Myers	IA provides EthicsPoint summaries to the Finance and Audit Committee at the scheduled Committee meetings.
6	EthicsPoint Investigative Assignments	F.O	A	2012	Continuous	Rachel Holcombe Michelle Myers	Bill Magness	Rachel Holcombe Michelle Myers	
7	Follow Up On Audit Recommendations (MAPS Verification of implementation of high risk and medium risk corrective actions)	N/A	A	2012	Continuous	multiple	multiple	All	Continuous
8	Annual Corporate Controls Testing Summary	F.T	A	2012	Q3	Brandt Rydell	Bill Magness	April Vega	Expect to issue an annual "Internal Controls Testing" report in Q3 2012
9	Annual Ethics Fraud Awareness, and Code-of-Conduct Reaffirmation Training (All Employees)	F.O	A	2012	Q3	Susan Westbrook Chad Seely	Bill Magness	Michelle Myers April Vega Michael Ratemo	Advance Planning in Progress

Orange = Audits Carried Over
Blue = Audit Department Activities
White = Periodic and Special Request (SR)
Yellow = Not Resourced and Alternates

Approved 2012 Audit Plan
ERCOT Internal Audit Department

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INTERNAL AUDIT DEPARTMENT									
APPROVED AUDIT PLAN FOR 2012 (Revised and Updated through June 30, 2012)									
Row #	Audit Entity	Financial, Operational, Technological	Annual or Periodic	Plan Year	Quarter Planned	Process Owner	Process Director/ Officer	Lead Auditor/ Assisting Auditor(s)	Report Number and Issuance Date
10	Continuous Monitoring and Annual Internal Quality Assessment Review. IIA Standard 1300 - Quality Assurance and Improvement Program (Required by IIA Standards)	N/A	A	2012	Continuous	Bill Wullenjohn	Bill Wullenjohn	Michelle Myers	
11	New Employee and Contractor Orientation Training on Fraud Prevention and Ethics Awareness (BI-weekly)	F, O	A	2012	Continuous	April Vega	Bill Wullenjohn	April Vega	BI-Weekly New Hire / New Contractor Training Session.
12	Advance Preparation for the 2013 External Quality Assessment Review (QAR) of the ERCOT Internal Audit Department (Including Update of Internal Audit Procedures Manual)	N/A	A	2012	Continuous	Bill Wullenjohn	Bill Wullenjohn	Michelle Myers	Preparation for the External Quality Assessment Review (QAR) is a continuous process. The next QAR is scheduled for Q1-Q2 2013. (5-year Audit Cycle) (IIA Standard 1312 - External Assessments)
13	Annual Report to Management on 2011 Internal Audit Activities	N/A	A	2012	Completed	Bill Wullenjohn	Bill Wullenjohn	April Vega	Report # 2012-02: Report issued 2/13/2012. The Annual Report to Management on 2011 Internal Audit Activities was completed on January 31, 2012. Report issued to the Finance and Audit Committee on February 13, 2012. Report distributed and discussed with ERCOT Executive Management, Department Directors, and other selected stakeholders during March and April 2012.
14	Audits								
15	Allowance for ERCOT Management, Board, and PUCT Special Requests per Protocol 1.4 (Not resourced. A special request audit will require removal of an item from the 2012 Audit Plan)	N/A	A	2012	N/A	N/A	N/A	N/A	
16	Credit Quality Assessment	F, T	P	2012	Q4	Vanessa Spells	Mark Ruane	Chris Langan April Vega	

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Approved 2012 Audit Plan
ERCOT Internal Audit Department

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INTERNAL AUDIT DEPARTMENT									
APPROVED AUDIT PLAN FOR 2012 (Revised and Updated through June 30, 2012)									
Row #	Audit Entity	Financial, Operational, Technological	Annual or Periodic	Plan Year	Quarter Planned	Process Owner	Process Director/ Officer	Lead Auditor/ Assisting Auditor(s)	Report Number and Issuance Date
17	Nodal Protocol 3.10(5) Required Audit - Consistent Information in Operations Models	O, T	A	2012	Q3 - Q4	Woody Rickerson Matt Mereness	Kent Saathoff SVP & COO - TBD	Michelle Myers	
18	Annual Report on the Fraud Prevention, Monitoring, and Testing Program	F	A	2012	Completed	Susan Westbrook	Bill Magness	Rachel Holcombe Chris Langan Michael Ralemo April Vega	Report # 2012-06, Report Issued 5/29/2012
19	Annual Review of Business Continuity Plan (including Disaster Recovery Plan)	O, T	A	2012	Q4	Steve Grendel	Chuck Manning Trip Doggett	Michael Ralemo April Vega	
20	Protocol 1.4 Required Audit - Confidentiality Compliance Audit - Compliance with Confidentiality and Protected Information Provisions of Protocols	O	P	2012	Completed	Chad Seely	SVP & COO - TBD Bill Magness Mandy Bauld John Dumas Dan Woodfin Ted Hallu	April Vega Michael Ralemo	Report # 2012-11, Report Issued 6/28/2012
21	Cash and Investments	F	A	2012	Q2 - Q3	Leslie Wiley	Mike Petterson	April Vega Rachel Holcombe	In Progress
22	Annual Employee and Contractor Ethics Compliance (ERCOT Wide)	F, O	A	2012	Q4	Susan Westbrook	Chuck Manning Bill Magness	April Vega Rachel Holcombe	
23	Congestion Revenue Rights (Nodal Protocol Section 7)	O, F	P	2012	Completed	Matt Mereness	Kent Saathoff John Dumas	Michelle Myers Chris Langan	Report # 2012-05, Report Issued 4/2/2012
24	Consulting and Advisory Services Activity on ERCOT's Vulnerability Assessments Follow-Up Process	T	P	2012	Completed	Ann Dalenela	Chuck Manning	Michael Ralemo Michelle Myers	Interoffice Memorandum Issued 4/10/2012

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Approved 2012 Audit Plan
ERCOT Internal Audit Department

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INTERNAL AUDIT DEPARTMENT								
APPROVED AUDIT PLAN FOR 2012 (Revised and Updated through June 30, 2012)								
Row #	Audit Entity	Financial, Operational, Technological	Annual or Periodic	Plan Year	Quarter Planned	Process Owner	Process Director/ Officer	Lead Auditor/ Assisting Auditor(s)
25	Audit of Compliance with "Must" and "Shall" Requirements in the Protocols	O	P	2012	Completed	Betty Day	SVP & COO - TBD	Chris Langan April Vega Michael Ralemo
26	Audit of ERCOT's Identity and Access Management Processes	T	P	2012	Completed	Trey Felton	Jerry Dreyer Aaron Smallwood	Michael Ralemo Michelle Myers
27	Consulting and Advisory Services: Operator Training	O	P	2012	Q2 - Q3	Dan Woodfin	Kent Saathoff	Michelle Myers
28	Crisis Communications Procedures	O	P	2012	Completed	Dottie Roark	Theresa Gage	April Vega Rachel Holcombe
29	Accounts Payable	F	P	2012	Completed	Rebecca Beckham	Mike Petterson	Chris Langan Rachel Holcombe
30	Review of the Capacity, Demand, and Reserves (CDR) Report and the Seasonal Assessment of Resource Adequacy (SARA) Report	O, T	P	2012	Q3 - Q4	Warren Lasher	Kent Saathoff	Chris Langan April Vega
31	Consulting Activity on ERCOT's Federal Visa and Permanent Residency Program for Foreign Nationals	O	P	2012	Q2 - Q3	Susan Westbrook	Chuck Manning Blitt Magness	Chris Langan Michael Ralemo
32	ERCOT Critical Spreadsheets	F, T	P	2012	Q3	Various	Various	Chris Langan Michael Ralemo

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Approved 2012 Audit Plan
ERCOT Internal Audit Department

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INTERNAL AUDIT DEPARTMENT									
APPROVED AUDIT PLAN FOR 2012 (Revised and Updated through June 30, 2013)									
Row #	Audit Entity	Financial, Operational, Technological	Annual or Periodic	Plan Year	Quarter Planned	Process Owner	Process Director/ Officer	Lead Auditor/ Assisting Auditor(s)	Report Number and Issuance Date
33	Change Control / Release Management	T	P	2012	Q2 - Q3	Diane Gwinn	Jerry Dreyer Aaron Smallwood	Michael Ratemo Michelle Myers	In Progress
34	Audit of Project Prioritization	F, O	P	2012	Q3 - Q4	Cagle Lowe	Betty Day	Michael Ratemo Chris Langan	
35	Audit of ERCOT's Shared Drives	T	P	2012	Completed	Trey Felton	Jerry Dreyer Aaron Smallwood	Michael Ratemo	Report # 2012-9, Report Issued 6/14/2012 The Audit of ERCOT's Shared Drives was slated as Alternate Audit #2 for the 2012 Approved Audit Plan
36	Targeted Review of Vendors for Compliance with Contract Terms and Conditions	O, F	P	2012	Completed	Grady Roberts Jimmy Ramirez Brandt Rydell	Mike Petterson Bill Magness	Rachel Holcombe April Vega	Report # 2012-7, Report Issued 6/14/2012 The Targeted Review of Vendors for Compliance with Contract Terms and Conditions was slated as Alternate Audit #3 for the 2012 Approved Audit Plan
37	Audit of Renewable Energy Credits (REC) Program Processes and Controls	O, T	P	2012	Q4	Don Tucker	SVP & COO - TBD Mandy Bauld	Rachel Holcombe	Planned for Q4 The Audit of Renewable Energy Credits (REC) Program Processes and Controls was slated as Alternate Audit #7 for the 2012 Approved Audit Plan
38	Alternate Audit #1 ERCOT's Compliance with Cyber Security Policies and Procedures	T	P	2012	N/A	Ann Deleneta	Chuck Manning	N/A	Alternate Audit #1
39	Alternate Audit #4 Audit of Data Consistency and Integrity	T	P	2012	N/A	Jackie Ashbaugh	Betty Day	N/A	Alternate Audit #4
40	Alternate Audit #5 Storage and Processor Capacity Planning Follow-Up Audit	O, T	P	2012	N/A	Director - IT Infrastructure - Vacant	Jerry Dreyer	N/A	Alternate Audit #5

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Approved 2012 Audit Plan
ERCOT Internal Audit Department

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INTERNAL AUDIT DEPARTMENT									
APPROVED AUDIT PLAN FOR 2012 (Revised and Updated through June 30, 2012)									
Row #	Audit Entity	Financial, Operational, Technological	Annual or Periodic	Plan Year	Quarter Planned	Process Owner	Process Director/ Officer	Lead Auditor/ Assisting Auditor(s)	Report Number and Issuance Date
41	Alternate Audit #6 CFTC Exemption Requirements - Verification of Risk Management Policies for FTR/CRR Market Participants	F O	P	2012	N/A	Vanessa Spells	Mark Ruane	N/A	Alternate Audit #6
End of 2012 Approved Audit Plan									



TO: Bill Magness, Vice President, General Counsel and Corporate Secretary

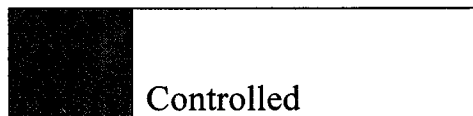
FROM: Rachel Holcombe, Senior Internal Auditor - Internal Audit Department

DATE: May 29, 2012

SUBJECT: 2012 Annual Report on the Fraud Prevention, Monitoring, and Testing Program

Attached is the final report from Internal Audit's 2012 Annual Report on the Fraud Prevention, Monitoring, and Testing Program.

The report rating for this review is as follows:



Additional details regarding this review are contained in the attached report.

cc: Trip Doggett	Jimmy Ramirez
Mark Ruane	Oscar Macakiage
Chuck Manning	Donna L. Nelson (PUCT)
Jerry Dreyer	Brian Lloyd (PUCT)
Kent Saathoff	Ken Gable (PUCT)
Mike Petterson	Kenneth W. Anderson Jr. (PUCT)
Betty Day	Rolando Pablos (PUCT)
Rebecca Beckham	Craven Crowell (Chair, ERCOT Board of Directors)
Bill Wullenjohn	Judy Walsh (Vice-Chair, ERCOT Board of Directors)
Brandt Rydell	ERCOT Finance and Audit Committee
Grady Roberts	Ernst & Young, LLP



TO: Mike Petterson, Vice President – Finance and Treasury
Rebecca Beckham, Manager - Accounting

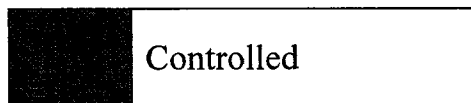
FROM: Chris Langan, Senior Internal Auditor – Internal Audit Department

DATE: June 22, 2012

SUBJECT: 2012 Audit of Accounts Payable Audit Report

Attached is a copy of the audit report from our recent Audit of Accounts Payable.

The report rating for this audit is as follows:



Additional details regarding this audit are contained in the attached audit report.

cc:	Trip Doggett	Leslie Wiley
	Bill Magness	Rolando Pablos (PUCT)
	Chuck Manning	Ken Gable (PUCT)
	Kent Saathoff	Brian Lloyd (PUCT)
	Jerry Dreyer	Kenneth W. Anderson (PUCT)
	Betty Day	Donna Nelson (PUCT)
	Mark Ruane	Craven Crowell (Chair, ERCOT Board of Directors)
	Bill Wullenjohn	Judy Walsh (Vice-Chair, Board of Directors)
	Brandt Rydell	Ernst and Young, LLP
	Oscar Macakiage	Finance and Audit Committee



TO: Grady Roberts, Director of Finance
Brandt Rydell, Assistant General Counsel
Jimmy Ramirez, Contract Administration and Procurement Manager

FROM: Rachel Holcombe, Senior Internal Auditor – Internal Audit Department

DATE: June 14, 2012

SUBJECT: Targeted Review of Vendors for Compliance with Contract Terms and Conditions

Attached is the final audit report from Internal Audit's Targeted Review of Vendors for Compliance with Contract Terms and Conditions.

The report rating for this audit is as follows:

	Moderate Improvements Needed
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Additional details regarding this audit are contained in the attached audit report.

cc:	Trip Doggett	Oscar Macakiage
	Mike Petterson	Rolando Pablos (PUCT)
	Kent Saathoff	Donna L. Nelson (PUCT)
	Jerry Dreyer	Brian Lloyd (PUCT)
	Bill Magness	Ken Gable (PUCT)
	Mark Ruane	Kenneth W. Anderson Jr. (PUCT)
	Chuck Manning	Craven Crowell (Chair, ERCOT Board of Directors)
	Bill Wullenjohn	Judy Walsh (Vice-Chair, ERCOT Board of Directors)
	Betty Day	ERCOT Finance and Audit Committee
	Rebecca Beckham	Ernst & Young, LLP



TO: Matt Mereness, Manager – Day Ahead and CRR Markets

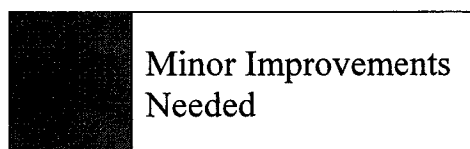
FROM: Michelle Myers, Senior IT Auditor – Internal Audit Department

DATE: April 2, 2012

SUBJECT: Audit of ERCOT's Congestion Revenue Rights (CRR) Processes

Attached is the final audit report from Internal Audit's review of ERCOT's Congestion Revenue Rights processes.

The report rating for this audit is as follows:



Additional details regarding this audit are contained in the attached audit report.

cc:	Trip Doggett	Vicki Scott
	Mike Petterson	Isabel Flores
	Kent Saathoff	Rolando Pablos (PUCT)
	Jerry Dreyer	Donna L. Nelson (PUCT)
	Bill Magness	Brian Lloyd (PUCT)
	Mark Ruane	Ken Gable (PUCT)
	Chuck Manning	Ken Anderson (PUCT)
	Bill Wullenjohn	Craven Crowell (Chair, ERCOT Board of Directors)
	Betty Day	Judy Walsh (Vice Chair, ERCOT Board of Directors)
	Chad Seely	ERCOT Finance and Audit Committee
	Patrick Coon	Ernst & Young, LLP
	Ted Hailu	
	John Dumas	
	Brandt Rydell	
	Oscar Macakiage	



TO: Jerry Dreyer, Vice President and Chief Information Officer
Aaron Smallwood, Director – IT Operations

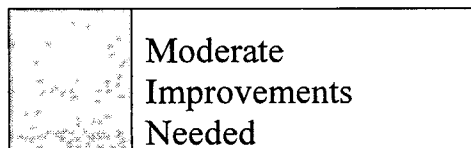
FROM: Michael Ratemo, Senior IT Auditor – Internal Audit Department

DATE: June 14, 2012

SUBJECT: Audit of ERCOT's Identity and Access Management Processes

Attached is the final audit report from Internal Audit's review of ERCOT's Identity and Access Management Processes.

The report rating for this audit is as follows:



Additional details regarding this audit are contained in the attached audit report.

cc: Trip Doggett	Jake Brown
Chuck Manning	Oscar Macakiage
Ann Delenela	Jorge Robles
Mark Ruane	Alanna Lawrence
Stephen Daniels	Anand Tandon
Bill Magness	Benjamin Hampton
Kent Saathoff	Evan Sutton
Susan Westbrook	Ken Gable (PUCT)
Betty Day	Brian Lloyd (PUCT)
Bill Wullenjohn	Rolando Pablos (PUCT)
John Fisher	Donna L. Nelson (PUCT)
Mike Petterson	Kenneth Anderson (PUCT)
Bryan Hanley	Craven Crowell (Chair, Board of Directors)
Trey Felton	Judy Walsh (Vice-Chair, Board of Directors)
Theresa Moody	ERCOT Finance and Audit Committee
Brandt Rydell	Ernst & Young, LLP



TO: Bill Magness – Vice President, General Counsel, and Corporate Secretary

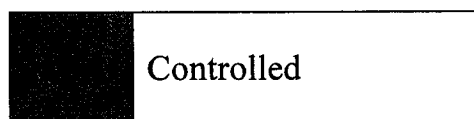
FROM: April Vega, Senior Internal Auditor – Internal Audit Department

DATE: June 28, 2012

SUBJECT: Protocol 1.4.3.1 Confidentiality Compliance Audit

Attached is the final audit report from Internal Audit's review of Protocol 1.4.3.1 Confidentiality Compliance.

The report rating for this audit is as follows:



Additional details regarding this audit are contained in the attached audit report.

cc: Trip Doggett	Jerry Dreyer
Betty Day	Dan Woodfin
Mark Ruane	Ted Hailu
Chuck Manning	Grady Roberts
Mike Petterson	Chad Seely
Bill Wullenjohn	Kristi Hobbs
Kent Saathoff	David Fryklund
Woody Rickerson	Jimmy Ramirez
Mandy Bauld	Mike McCarty
Joel Mickey	Donna L. Nelson (PUCT)
John Dumas	Brian Lloyd (PUCT)
Bobby Reed	Ken Gable (PUCT)
Shawna Jirasek	Kenneth W. Anderson Jr. (PUCT)
Jackie Ashbaugh	Rolando Pablos (PUCT)
Vanessa Spells	Craven Crowell (Chair, ERCOT Board of Directors)
Vickie Leady	Judy Walsh (Vice-Chair, ERCOT Board of Directors)
Brandt Rydell	ERCOT Finance and Audit Committee
Oscar Macakiage	Ernst & Young, LLP



TO: Jerry Dreyer, Vice President and Chief Information Officer
Aaron Smallwood, Director – IT Operations

FROM: Michael Ratemo, Senior IT Auditor – Internal Audit Department

DATE: June 14, 2012

SUBJECT: Audit of ERCOT's Shared Drives

Attached is the final audit report from Internal Audit's review of ERCOT's Shared Drives.

The report rating for this audit is as follows:

	Minor Improvements Needed
---	---------------------------------

Additional details regarding this audit are contained in the attached audit report.

cc:	Trip Doggett	Jake Brown
	Chuck Manning	Oscar Macakiage
	Ann Delenela	Jorge Robles
	Mark Ruane	Alanna Lawrence
	Stephen Daniels	Anand Tandon
	Bill Magness	Benjamin Hampton
	Kent Saathoff	Evan Sutton
	Susan Westbrook	Ken Gable (PUCT)
	Betty Day	Brian Lloyd (PUCT)
	Bill Wullenjohn	Rolando Pablos (PUCT)
	John Fisher	Donna L. Nelson (PUCT)
	Mike Petterson	Kenneth Anderson (PUCT)
	Bryan Hanley	Craven Crowell (Chair, Board of Directors)
	Trey Felton	Judy Walsh (Vice-Chair, Board of Directors)
	Theresa Moody	ERCOT Finance and Audit Committee
	Brandt Rydell	Ernst & Young, LLP

Electric Reliability Council of Texas, Inc.
Analysis of Adequacy of System Administration Fee
As of June 30, 2012
(\$ in Millions)

Attachment B

	Year to Date				End of Year			
	Budget		Actual		Budget		Forecast	
				Variance \$ %				Variance \$ %
Operating revenues								
System administration fees	\$ 65.0	\$ 64.8	\$ (0.2)	(0.3)	\$ 137.7	\$ 138.4	\$ 0.7	0.5
Reliability organization pass-through	6.5	6.5	-	-	13.1	13.1	-	-
Membership fees and other	1.8	2.2	0.4	22.2	3.6	3.6	-	-
2011 carry forward	13.7	18.8	5.1	37.2	13.7	18.8	5.1	37.2
Total - Operating revenues	87.0	92.3	5.3	6.1	168.1	173.9	5.8	3.5
Operating expenses (excluding depreciation)								
Salaries and related benefits	36.9	35.6	1.3	3.5	74.4	71.6	2.8	3.8
Facility and equipment costs	6.8	6.3	0.5	7.4	13.3	12.3	1.0	7.5
Hardware and software maintenance and licensing	10.1	9.7	0.4	4.0	20.1	19.9	0.2	1.0
Outside services	3.5	6.4	(2.9)	(82.9)	7.0	11.8	(4.8)	(68.6)
Reliability organization assessment	6.5	6.5	-	-	13.1	13.1	-	-
Other	2.5	2.6	(0.1)	(4.0)	5.0	5.2	(0.2)	(4.0)
Subtotal - Operating expenses	66.3	67.1	(0.8)	(1.2)	132.9	133.9	(1.0)	(0.8)
Revenue-funded project expenditures (40%)	3.5	3.2	0.3	8.6	6.0	6.0	-	-
Principal repayment	13.1	13.1	-	-	26.2	26.2	-	-
Interest expense	1.5	1.8	(0.3)	(20.0)	3.0	3.6	(0.6)	(20.0)
Total - Expenses	84.4	85.2	(0.8)	(0.9)	168.1	169.7	(1.6)	(1.0)
Excess/(Deficit) of revenues over expenses	\$ 2.6	\$ 7.1	\$ 4.5	173.1	\$ -	\$ 4.2	\$ 4.2	n/a

Electric Reliability Council of Texas, Inc.
Statements of Financial Position
As of June 30, 2012 and 2011
(\$ in Thousands)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 177,256	\$ 225,788
Accounts receivable	6,237	12,423
Unbilled revenue	14,166	12,897
Restricted cash	448,767	350,057
Prepaid expenses and other current assets	16,779	16,478
Total current assets	663,205	617,643
Property and equipment, net	332,593	413,961
Systems under development	8,598	12,349
Debt issuance cost	257	397
Total assets	\$ 1,004,653	\$ 1,044,350

Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	1,819	1,777
Accrued liabilities	8,260	13,691
Deferred revenue	3,438	3,153
Market settlement liabilities	221,141	275,406
Security deposits	448,767	350,057
Notes payable, current portion	139,470	164,470
Total current liabilities	822,895	808,554
Notes payable	13,630	98,100
Derivative liability	1,193	6,869
Regulatory liabilities	137,083	96,343
Other long term liabilities	389	322
Total liabilities	975,190	1,010,188
Unrestricted net assets	29,463	34,162
Total liabilities and unrestricted net assets	\$ 1,004,653	\$ 1,044,350

Electric Reliability Council of Texas, Inc.
Statements of Activities
For the Six Months Ended June 30, 2012 and 2011
(\$ in Thousands)

	2012	2011
Operating revenues		
System administration fees	\$ 64,766	\$ 65,900
Nodal implementation surcharge	58,292	59,365
Reliability organization pass-through	6,531	5,987
Membership fees and other	2,595	1,645
Total operating revenue	132,184	132,897
Operating expenses		
Salaries and related benefits	36,183	34,717
Depreciation	16,760	17,635
Facility and equipment costs	6,461	6,136
Outside services	6,693	4,025
Hardware and software maintenance and licensing	10,088	5,425
Reliability organization assessment	6,531	5,987
Other	2,682	2,218
Amortization of regulatory asset	58,292	59,365
Total operating expenses	143,690	135,508
Loss from operations	(11,506)	(2,611)
Other income (expense)		
Interest income	2	3
Interest expense	(1,824)	(2,083)
Change in valuation of interest rate swap	2,043	2,963
Non-operating income	266	8
Change in unrestricted net assets before deferred pension costs	(11,019)	(1,720)
Deferred pension costs	11	9
Change in unrestricted net assets	(11,008)	(1,711)
Unrestricted net assets, beginning of year	40,471	35,873
Unrestricted net assets, end of period	\$ 29,463	\$ 34,162

Electric Reliability Council of Texas, Inc.
Statements of Cash Flows
For the Six Months Ended June 30, 2012 and 2011
(\$ in Thousands)

	2012	2011
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (11,008)	\$ (1,711)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	16,760	17,635
Amortization of debt issuance costs	70	70
Change in valuation of interest rate swap	(2,043)	(2,963)
Changes in operating assets and liabilities:		
Accounts receivable	3,261	(3,079)
Unbilled revenue	(4,055)	(3,782)
Prepaid expenses and other assets	1,486	(2,496)
Other long-term liabilities	29	(1)
Accounts payable	(6,660)	(2,508)
Accrued liabilities	(167)	800
Deferred revenue	(211)	(149)
Regulatory liabilities	56,193	44,707
Net cash provided by operating activities	53,679	46,519
Cash flows from investing activities:		
Capital expenditures for property and equipment and systems under development	(8,558)	(26,233)
Proceeds from sale of property and equipment	90	4
Net cash used in investing activities	(8,468)	(26,229)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	55,000	-
Repayment of notes payable	(94,137)	(73,637)
Increase in restricted cash	(34,883)	(94,459)
(Decrease) increase in market settlement liabilities	(75,621)	209,579
Increase in security deposits	34,883	94,459
Net cash (used in) provided by financing activities	(114,758)	135,942
Net change in cash and cash equivalents	(69,547)	156,232
Cash and cash equivalents, beginning of year	246,803	69,556
Cash and cash equivalents, end of period	\$ 177,256	\$ 225,788



Attachment B1

ERCOT Quarterly Update

As of June 30, 2012

Trip Doggett, President and CEO
Electric Reliability Council of Texas

2012 Financial Update - As of June 30, 2012

YTD BUDGET VS. ACTUAL PERFORMANCE: \$4.5 MILLION FAVORABLE

REVENUES

\$5.1 Million favorable 2011 Carry Forward
\$0.4 Million favorable Other Revenues

EXPENSES

\$2.9 Million unfavorable Outside Services
\$1.3 Million favorable Salary & Benefits
\$0.5 Million favorable Facility & Equipment Costs
\$0.4 Million favorable Hardware/Software Maintenance & Licensing
\$0.3 Million favorable Revenue-Funded Portfolio Expenditures

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YEAR-END PERFORMANCE FORECAST: \$4.2 MILLION FAVORABLE

REVENUES

\$5.1 Million favorable 2011 Carry Forward
\$0.7 Million favorable System Administration Fees

EXPENSES

\$4.8 Million unfavorable Outside Services
\$2.8 Million favorable Salary & Benefits
\$1.0 Million favorable Facility & Equipment Costs



2012 Financial Update - As of June 30, 2012 (\$ in Millions)

	Year to Date			End of Year				
	Budget		Variance	Budget		Variance		
	Actual	\$	%	Forecast	\$	%		
Operating revenues								
System administration fees	\$ 65.0	\$ 64.8	\$ (0.2)	(0.3)	\$ 137.7	\$ 138.4	\$ 0.7	0.5
Reliability organization pass-through	6.5	6.5	-	-	13.1	13.1	-	-
Membership fees and other	1.8	2.2	0.4	22.2	3.6	3.6	-	-
2011 carry forward	13.7	18.8	5.1	37.2	13.7	18.8	5.1	37.2
Total - Operating revenues	87.0	92.3	5.3	6.1	168.1	173.9	5.8	3.5
Operating expenses (excluding depreciation)								
Salaries and related benefits	36.9	35.6	1.3	3.5	74.4	71.6	2.8	3.8
Facility and equipment costs	6.8	6.3	0.5	7.4	13.3	12.3	1.0	7.5
Hardware and software maintenance and licensing	10.1	9.7	0.4	4.0	20.1	19.9	0.2	1.0
Outside services	3.5	6.4	(2.9)	(82.9)	7.0	11.8	(4.8)	(68.6)
Reliability organization assessment	6.5	6.5	-	-	13.1	13.1	-	-
Other	2.5	2.6	(0.1)	(4.0)	5.0	5.2	(0.2)	(4.0)
Subtotal - Operating expenses	66.3	67.1	(0.8)	(1.2)	132.9	133.9	(1.0)	(0.8)
Revenue-funded project expenditures (40%)	3.5	3.2	0.3	8.6	6.0	6.0	-	-
Principal repayment	13.1	13.1	-	-	26.2	26.2	-	-
Interest expense	1.5	1.8	(0.3)	(20.0)	3.0	3.6	(0.6)	(20.0)
Total - Expenses	84.4	85.2	(0.8)	(0.9)	168.1	169.7	(1.6)	(1.0)
Excess/(Deficit) of revenues over expenses	\$ 2.6	\$ 7.1	\$ 4.5	173.1	\$ -	\$ 4.2	\$ 4.2	n/a

Financial Statements - Statements of Financial Position

As of June 30, 2012 and 2011 (\$ in Thousands)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 177,256	\$ 225,788
Accounts receivable	6,237	12,423
Unbilled revenue	14,166	12,897
Restricted cash	448,767	350,057
Prepaid expenses and other current assets	16,779	16,478
Total current assets	663,205	617,643
Property and equipment, net	332,593	413,961
Systems under development	8,598	12,349
Debt issuance cost	257	397
Total assets	\$ 1,004,653	\$ 1,044,350

Liabilities and Unrestricted Net Assets		
Current liabilities:		
Accounts payable	1,819	1,777
Accrued liabilities	8,260	13,691
Deferred revenue	3,438	3,153
Market settlement liabilities	221,141	275,406
Security deposits	448,767	350,057
Notes payable, current portion	139,470	164,470
Total current liabilities	822,895	808,554
Notes payable	13,630	98,100
Derivative liability	1,193	6,869
Regulatory liabilities	137,083	96,343
Other long term liabilities	389	322
Total liabilities	975,190	1,010,188
Unrestricted net assets	29,463	34,162
Total liabilities and unrestricted net assets	\$ 1,004,653	\$ 1,044,350

Financial Statements - Statements of Activities

As of June 30, 2012 and 2011 (\$ in Thousands)

	2012	2011
Operating revenues		
System administration fees	\$ 64,766	\$ 65,900
Nodal implementation surcharge	58,292	59,365
Reliability organization pass-through	6,531	5,987
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Deferred pension costs	11	9
Change in unrestricted net assets	(11,008)	(1,711)
Unrestricted net assets, beginning of year	40,471	35,873
Unrestricted net assets, end of period	\$ 29,463	\$ 34,162

Financial Statements – Statements of Cash Flows

For the Month Ended June 30, 2012 and 2011 (\$ in Thousands)

Cash flows from operating activities:

Change in unrestricted net assets
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:

	2012	2011
Depreciation	\$ (11,008)	\$ (1,711)
Amortization of debt issuance costs	16,760	17,635
Change in valuation of interest rate swap	70	70
Changes in operating assets and liabilities:	(2,043)	(2,963)
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Accrued liabilities	(167)	800
Deferred revenue	(211)	(149)
Regulatory liabilities	56,193	44,707
Net cash provided by operating activities	53,679	46,519

Cash flows from investing activities:

Capital expenditures for property and equipment and systems under development
Proceeds from sale of property and equipment
Net cash used in investing activities

	(8,558)	(26,233)
	90	4
	(8,468)	(26,229)

Cash flows from financing activities:

Proceeds from issuance of notes payable
Repayment of notes payable
Increase in restricted cash
(Decrease) increase in market settlement liabilities
Increase in security deposits
Net cash (used in) provided by financing activities

	55,000	-
	(94,137)	(73,637)
	(34,883)	(94,459)
	(75,621)	209,579
	34,883	94,459
	(114,758)	135,942

Net change in cash and cash equivalents
Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of period

	(69,547)	156,232
	246,803	69,556
	177,256	225,788

