

5. Financing Update – Debt summary: 2005 – 2010

Cheryl Yager

| | A <u>2005</u> | A <u>2006</u> | A <u>2007</u> | A <u>2008</u> | E <u>2009</u> | P <u>2010</u> |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Debt by instrument | (in millions) | | | | | |
| Senior notes | 122.7 | 109.1 | 95.5 | 81.8 | 68.2 | 54.5 |
| Term loan | 37.5 | 25.0 | 112.5 | 212.5 | 212.5 | 141.7 |
| Revolving credit facilities | - | 47.0 | 51.0 | 46.6 | 84.0 | 163.1 |
| Total | <u>160.2</u> | <u>181.1</u> | <u>259.0</u> | <u>340.9</u> | <u>364.7</u> | <u>359.3</u> |
| Debt by source | | | | | | |
| Start up debt being amortized | 122.7 | 109.1 | 95.5 | 81.8 | 68.2 | 54.5 |
| Nodal debt | | 38.6 | 135.5 | 212.3 | 257.4 | 234.0 |
| Other | 37.5 | 33.4 | 28.0 | 46.8 | 39.1 | 70.8 |
| Total | <u>160.2</u> | <u>181.1</u> | <u>259.0</u> | <u>340.9</u> | <u>364.7</u> | <u>359.3</u> |

Notes

A Actuals

E Unaudited estimate as of December 31, 2009

P Projected debt based on 2010 budget (includes approximately \$39 million of debt for Met Center disposition and TCC1 Data Center expansion)

5. Financing Update – Plan for repayment of existing debt (excludes any new debt) - Cheryl Yager

| | E | P | P | P | P | P | P |
|-------------------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| Debt by instrument | | | | | | | |
| Senior notes | 68.2 | 54.5 | 40.9 | 27.3 | 13.6 | | |
| Term loan | 212.5 | 141.7 | 70.8 | - | - | - | - |
| Revolving credit facilities | 84.0 | 163.1 | 110.9 | 48.9 | 33.3 | 20.8 | 0.0 |
| Total | <u>364.7</u> | <u>359.3</u> | <u>222.7</u> | <u>76.1</u> | <u>46.9</u> | <u>20.8</u> | <u>0.0</u> |
| Debt by source | | | | | | | |
| Start up debt being amortized | 68.2 | 54.5 | 40.9 | 27.3 | 13.6 | - | - |
| Nodal debt | 257.4 | 234.0 | 123.5 | 3.1 | - | - | - |
| Other | 39.1 | 70.8 | 58.3 | 45.8 | 33.3 | 20.8 | 0.0 |
| Total | <u>364.7</u> | <u>359.3</u> | <u>222.7</u> | <u>76.1</u> | <u>46.9</u> | <u>20.8</u> | <u>0.0</u> |

Note 1

E Unaudited estimate as of December 31, 2009

P Projected debt based on 2010 budget and assuming no new debt beyond 2010

Note 2

Existing revenue allocated to debt reduction is sufficient to pay off debt incurred through 2010 by 2015 if no new debt is incurred beyond 2010

5. Financing Update – Projected debt based on assumptions in the 2010 five year plan - Cheryl Yager

UPDATED

| (in \$ millions) | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| <u>Outstanding debt (estimated)</u> | | | | | | |
| Beginning Balance | 364.7 | 359.3 | 287.9 | 168.2 | 152.9 | 129.1 |
| Capital expenditures funded with debt | 122.8 | 55.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| Revenue available for debt reduction | <u>(128.2)</u> | <u>(126.4)</u> | <u>(150.0)</u> | <u>(39.0)</u> | <u>(42.0)</u> | <u>(34.0)</u> |
| Ending Balance | <u>359.3</u> | <u>287.9</u> | <u>168.2</u> | <u>152.9</u> | <u>129.1</u> | <u>128.0</u> |
| <u>Capital expenditures funded with debt - Base and Nodal</u> | | | | | | |
| Base capital expenditures per 2010 five year plan | 46.3 | 83.3 | 50.5 | 39.5 | 30.3 | 54.9 |
| Debt Funding % | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Borrowing for base capital expenditures | 27.8 | 50.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| One time benefit - Impact of sales tax refund | 12.8 | 5.0 | | | | |
| Met center replacement - transfer from 2009 to 2010 | 3.6 | - | - | - | - | - |
| New borrowing - base | 44.2 | 55.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| Nodal expenditures (excl contingency and interest) | 78.6 | - | - | - | - | - |
| Total - New Borrowing | 122.8 | 55.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| <u>Revenue available for debt reduction</u> | | | | | | |
| System Administration Fee - debt reduction per 2010 five year plan | 26.2 | 15.9 | 29.6 | 35.9 | 42.0 | 34.0 |
| System Administration Fee - additional provision for debt reduction | - | - | - | - | - | - |
| Nodal Surcharge (excl int) | 102.0 | 110.5 | 120.4 | 3.1 | - | - |
| Total revenue available for debt reduction | 128.2 | 126.4 | 150.0 | 39.0 | 42.0 | 34.0 |
| Net increase / (decrease) in debt | <u>(5.4)</u> | <u>(71.4)</u> | <u>(119.7)</u> | <u>(15.3)</u> | <u>(23.8)</u> | <u>(1.1)</u> |
| <u>Impact on System Administration Fee</u> | | | | | | |
| Revenue portion of capital expenditures | 18.5 | 33.3 | 20.2 | 15.8 | 12.1 | 22.0 |
| Debt reduction - per 2010 five year plan | 26.2 | 15.9 | 29.6 | 35.9 | 42.0 | 34.0 |
| Debt reduction - additional provision | - | - | - | - | - | - |
| Total \$\$ impact on fees | 44.7 | 49.2 | 49.8 | 51.7 | 54.1 | 56.0 |
| GWh | 312.9 | 319.8 | 330.0 | 339.0 | 346.4 | 353.4 |
| Estimated impact on SAF / GWh | <u>0.14</u> | <u>0.15</u> | <u>0.15</u> | <u>0.15</u> | <u>0.16</u> | <u>0.16</u> |
| Estimated SAF per 2010 five year plan | 0.4171 | 0.5283 | 0.5481 | 0.5504 | 0.5574 | 0.5560 |
| Incremental impact of additional debt reduction | - | - | - | - | - | - |
| Other revenues and NERC ERO fee | 0.0182 | 0.0198 | 0.0197 | 0.0196 | 0.0196 | 0.0196 |
| Approved Nodal Surcharge | 0.3750 | 0.3750 | 0.3750 | 0.3750 | 0.3750 | 0.3750 |
| Total | <u>0.8103</u> | <u>0.9231</u> | <u>0.9428</u> | <u>0.9450</u> | <u>0.5770</u> | <u>0.5756</u> |

5. Financing Update – Projected debt with faster pay down of debt

Cheryl Yager

| (in \$ millions) | 2011 | 2012 | 2013 | 2014 | 2015 | |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| <u>Outstanding debt (estimated)</u> | | | | | | |
| Beginning Balance | 364.7 | 359.3 | 273.1 | 136.8 | 105.4 | 66.4 |
| Capital expenditures funded with debt | 122.8 | 55.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| Revenue available for debt reduction | <u>(128.2)</u> | <u>(141.2)</u> | <u>(166.6)</u> | <u>(55.1)</u> | <u>(57.2)</u> | <u>(48.7)</u> |
| Ending Balance | <u>359.3</u> | <u>273.1</u> | <u>136.8</u> | <u>105.4</u> | <u>66.4</u> | <u>50.6</u> |
| <u>Capital expenditures funded with debt - Base and Nodal</u> | | | | | | |
| Base capital expenditures per 2010 five year plan | 46.3 | 83.3 | 50.5 | 39.5 | 30.3 | 54.9 |
| Debt Funding % | <u>0.6</u> | <u>0.6</u> | <u>0.6</u> | <u>0.6</u> | <u>0.6</u> | <u>0.6</u> |
| Borrowing for base capital expenditures | 27.8 | 50.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| One time benefit - Impact of sales tax refund | 12.8 | 5.0 | - | - | - | - |
| Met center replacement - transfer from 2009 to 2010 | <u>3.6</u> | - | - | - | - | - |
| New borrowing - base | 44.2 | 55.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| Nodal expenditures (excl contingency and interest) | <u>78.6</u> | - | - | - | - | - |
| Total - New Borrowing | 122.8 | 55.0 | 30.3 | 23.7 | 18.2 | 32.9 |
| <u>Revenue available for debt reduction</u> | | | | | | |
| System Administration Fee - debt reduction per 2010 five year plan | 26.2 | 15.9 | 29.6 | 35.9 | 42.0 | 34.0 |
| System Administration Fee - additional provision for debt reduction | | 14.8 | 16.6 | 16.1 | 15.2 | 14.7 |
| Nodal Surcharge (excl int) | 102.0 | 110.5 | 120.4 | 3.1 | - | - |
| Total revenue available for debt reduction | <u>128.2</u> | <u>141.2</u> | <u>166.6</u> | <u>55.1</u> | <u>57.2</u> | <u>48.7</u> |
| Net increase / (decrease) in debt | <u>(5.4)</u> | <u>(86.2)</u> | <u>(136.3)</u> | <u>(31.4)</u> | <u>(39.0)</u> | <u>(15.8)</u> |
| <u>Impact on System Administration Fee</u> | | | | | | |
| Revenue portion of capital expenditures | 18.5 | 33.3 | 20.2 | 15.8 | 12.1 | 22.0 |
| Debt reduction - per 2010 five year plan | 26.2 | 15.9 | 29.6 | 35.9 | 42.0 | 34.0 |
| Debt reduction - additional provision | | 14.8 | 16.6 | 16.1 | 15.2 | 14.7 |
| Total \$\$ impact on fees | <u>44.7</u> | <u>64.0</u> | <u>66.4</u> | <u>67.8</u> | <u>69.3</u> | <u>70.7</u> |
| GWh | 312.9 | 319.8 | 330.0 | 339.0 | 346.4 | 353.4 |
| Estimated impact on SAF / GWh | <u>0.14</u> | <u>0.20</u> | <u>0.20</u> | <u>0.20</u> | <u>0.20</u> | <u>0.20</u> |
| Estimated SAF per 2010 five year plan | 0.4171 | 0.5283 | 0.5481 | 0.5504 | 0.5574 | 0.5560 |
| Incremental impact of additional debt reduction | | 0.0463 | 0.0503 | 0.0475 | 0.0439 | 0.0416 |
| Other revenues and NERC ERO fee | 0.0182 | 0.0198 | 0.0197 | 0.0196 | 0.0196 | 0.0196 |
| Approved Nodal Surcharge | <u>0.3750</u> | <u>0.3750</u> | <u>0.3750</u> | <u>0.3750</u> | <u>0.3750</u> | <u>0.3750</u> |
| Total | <u>0.8103</u> | <u>0.9694</u> | <u>0.9931</u> | <u>0.9925</u> | <u>0.6209</u> | <u>0.6172</u> |

5. Financing Update – Next steps Cheryl Yager

- **Obtain input from interested parties on**
 - Appropriate level of debt for ERCOT to carry prospectively
 - Approach seeking to keep the combination impact on the SAF revenue requirement of a) the 40% of revenue funding for capital expenditures in the year of development and b) debt reduction relatively flat.
 - Other?
- **Issue RFP to confirm understanding of where pricing is in the markets**
- **Bring options to F&A and the Board to consider**
 - to extend or replace facilities maturing in 2010 based on results of RFP
 - whether to increase debt capacity by up to \$50 million