



Budget Presentation

October, 2004

Budget Goal

- **Keep Fee Flat**
- **Use Resources Effectively**

(set by Board in July, 2004)

Challenge

- Add \$13M to principle payment
- Add work requirements
 - Congestion management
 - NERC requirements
 - Market Participant requests
 - New building to operate
- Address issues of management practices and controls
- Inflation

Draft Budget

- **Freezes Fee**
- **Reduces Debt**



Budget Issues/Actions (I/A)

I: Employee positions increase to 582 by year end 2005

A: Fund 550 positions

I: Extensive use of contractors

A: Outside expense reduced from \$15.3M in 2004 to \$9.9M in 2005

I: Debt burden is high (\$176M at year end 2004)

A: Reduce debt by \$5M to \$171M at year end 2005



Budget Issues/Actions (cont.)

I: Benefits are high

A: Burden rate decreased from 37% in early 2004 to 32%

I: Salaries are too high

A: Salary study to be completed before salaries change

I: Other expenses excessive

A: Cut expenses by \$824,000

Contingencies

- Texas Nodal (+)
- Market Monitoring Funding (+)
- Requirements from Audits (+)
- Unforeseen PRRs/SCRs (+)
- Litigation Expense (+)
- Revenues due to cool/warm weather (+/-)