# MEMO

**Date:** June 14, 2005
**To:** ERCOT Board of Directors
**From:** Kenneth Ragsdale
**Subject:** OOMC Non-Fuel Start Up Costs (Bryan Texas Utilities)

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Director Meeting Date:** June 21, 2005
**Agenda Item No.:** 11

**Issue:**

Bryan Texas Utilities ("BTU") has requested Board approval of an additional category of OOMC verifiable costs (and accompanying documentation) pursuant to Protocols Section 6.8.2.2(4)(c).

**Background/History:**

Protocols Section 6.8.2.2(4)(c) states:

> *Compensation for types of cost, whose documentation requirements are not covered in Sections 6.8.2.2(4)(b)(i) through 6.8.2.2(4)(b)(vi) for the deployed Resource, will be denied pending possible review by the ERCOT Board of Directors. The requesting QSE may request approval of the documentation requirements by the Board, and if requested will be considered by the Board at its next regularly scheduled meeting for which proper notice may be posted following ERCOT's receipt of the request. The requesting party may request that this review be conducted at an Executive Session of the ERCOT Board of Directors. Requests must be presented in person by a representative of the company submitting the request and must also include language suitable to be included in the Protocols to define the documentation requirements for future requests of a similar nature. Subsequent to the approval of such costs, the requesting company shall submit a Protocol Revision Request, in accordance with Section 21, Process for Protocol Revision, incorporating the necessary documentation standards provided to the ERCOT Board. Once approved by the ERCOT Board, ERCOT will process the request for payments as described in Section 9.2.5, Resettlement Statement.*

BTU requests approval of three additional types of OOMC start-up costs: (1) generation supplies, (2) direct maintenance and (3) operational supervision and support. The Board packet includes BTU's request letter. A BTU representative will address the Board on this topic. BTU chose not to exercise its right to request consideration during Executive Session and instead will

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address the Board during the public portion of the meeting.

Although any Protocols Revision must be approved via the Protocols Revision process, BTU proposes the following Protocol language as part of a Protocol Revision Request if the Board grants BTU's request:

> Compensation for non-fuel related start up shall include unit costs accounted for following the FERC chart of accounts in sufficient detail to allow for verification of costs and the calculation for unit specific start up compensation assigned as an hourly fee multiplied by the approved unit start up time identified in the QSE's Resource Plan. The basis for compensation shall be the verifiable cost determined as follows:
>
> a) Generation Supplies: {the sum of (FERC accounts 502, 505, & 506) from audited financial detail for the proceeding three (3) years} divided by {sum of total hours of operation + start up hours during the same period} = Hourly start up cost for Generation Supplies.
> b) Direct Maintenance: {the sum of (FERC accounts 511, 512, 513, 514, & 533) unit specific from financial detail for proceeding three (3) years} divided by {sum of total hours of operation + start up hours during the same period} = Hourly start up cost for Direct Maintenance.
> c) Operational Supervision and Support: {the sum of (FERC accounts 500, 501, 506, & 507) from audited financial detail for the proceeding three (3) years divided by 26,280 hours} = Hourly fee to be applied to unit start up.
>
> The above compensation to be updated and reviewed annually in sufficient detail to allow for verification by ERCOT Staff.

**Key Factors Influencing Issue:**

- Protocols Section 6.8.2.2(4)(b)(ii) identifies certain allowable non-fuel startup costs, but does not include the costs identified by BTU.
- Section 6.8.2.2(4)(b)(iv) contains documentation requirements for certain non-fuel maintenance costs.

**Alternatives:**

The Board has the option to approve or deny this request for use of the proposed OOMC cost categories.

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**Conclusion/Recommendation:**

ERCOT Staff takes no position regarding this request. If the Board approves this request, ERCOT Staff will allow this type of cost and documentation unless and until: (i) the PRR regarding this type of documentation is rejected through the Protocol Revision process or (ii) a PRR requiring different documentation for the same type of costs is approved.