

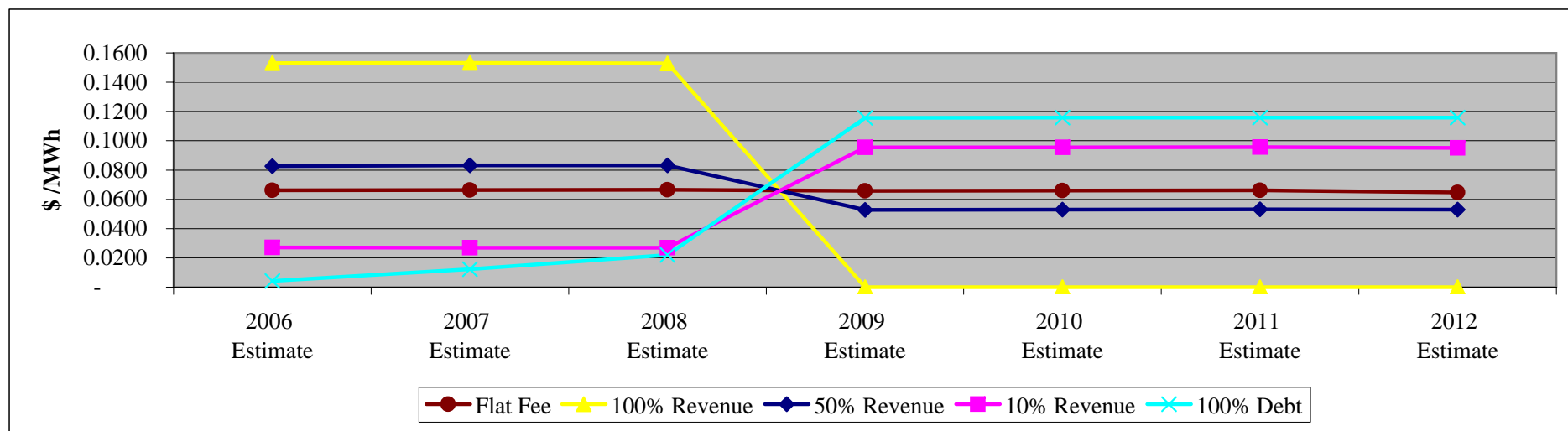
## ERCOT Nodal Funding Summary Comparison

Line	Option / Scenario	Description	Average Fee		Nodal Debt Impact		Various Impacts			
			2006 to 2008	2009 to 2012	Est Max Debt O/S for Nodal	Est Total Interest Cost	Lowest Total Cost	Level Fee Profile	Match Recovery to Asset Life	Financial Impact on ERCOT, Inc.
1	Flat Fee (38% Revenue / 62% Debt)	Use borrowed funds and new fees to produce a relatively flat fee over the period 2006-2012. Approximately 38 percent of wholesale market redesign funded on pay-as-you-go basis over the development period (2006-2008).	0.0663	0.0657	77.4	16.6	No	Yes	Yes	Strengthen (-)
2	100% Revenue	Establish current new fees to fund 100 percent of wholesale market redesign on a pay-as-you-go basis over the development period (2006-2008) .	0.1530	0.0000	12.7	0.7	Yes	No	No	Strengthen (+)
3	50% Revenue	Establish new fees to fund 50 percent of wholesale market redesign on a pay-as-you-go basis over the development period (2006-2008). The remaining project cost is debt funded and repaid with interest over the period 2009-2012.	0.0831	0.0530	62.4	13.6	No	No	Yes	Strengthen (-)
4	10% Revenue	Establish new fees to fund 10 percent of wholesale market redesign on a pay-as-you-go basis over the development period (2006-2008). The remaining project cost is debt funded and repaid with interest over the period 2009-2012.	0.0270	0.0955	112.5	23.8	No	No	Yes	Weaken
5	100% Debt	Debt fund 100 percent of the costs of wholesale market redesign and repay with interest over the period 2006-2012. Estimated maximum debt includes interest paid on borrowings during the development period.	0.0128	0.1158	136.5	28.8	No	No	Yes	Weaken

### Key Assumptions

1. \$125 million total cost of wholesale market redesign allocated \$30 million, \$60 million, and \$35 million over 2006, 2007, and 2008 (system development period) respectively.
2. Debt financing is available for each scenario at approximately the same rates
  - 5.5 percent variable rate debt on 2006 borrowing
  - 6.0 percent fixed or variable rate debt on borrowing in years after 2006.
3. Principal repayment in all scenarios (except for 100% Revenue) is assumed to be accomplished by the end of the average useful life of the assets developed.
4. Average useful life of hardware and software assets developed in connection with the wholesale market redesign project is assumed to be four years (2009 - 2012).
5. Energy consumption (MWhs) estimates are consistent with assumptions included in ERCOT's 2006 budget and fee filing package.
6. The collection of a Nodal Surcharge in 2006 is assumed to begin around June 1, 2006.

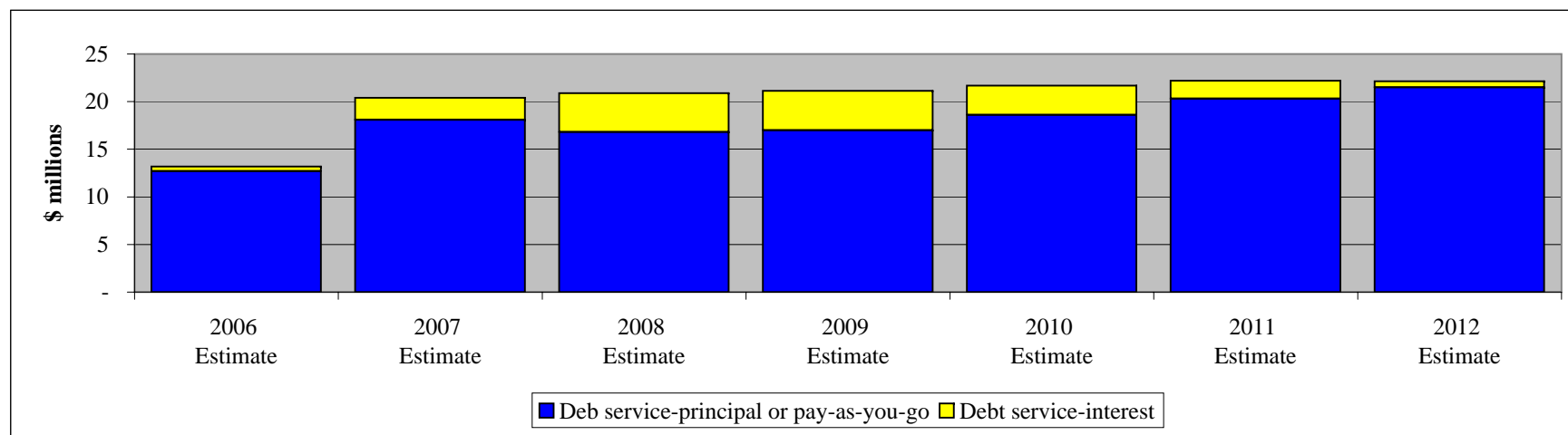
## ERCOT Nodal Funding Fee Profile Comparison



Line	Scenario / Option	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Average
1	Flat Fee	0.0661	0.0663	0.0664	0.0658	0.0660	0.0662	0.0647	0.0659
2	100% Revenue	0.1530	0.1532	0.1529	0.0000	0.0000	0.0000	0.0000	0.0656
3	50% Revenue	0.0827	0.0832	0.0832	0.0527	0.0530	0.0532	0.0530	0.0659
4	10% Revenue	0.0271	0.0269	0.0270	0.0955	0.0956	0.0956	0.0951	0.0661
5	100% Debt	0.0043	0.0122	0.0220	0.1157	0.1158	0.1159	0.1159	0.0717

## ERCOT Nodal Funding

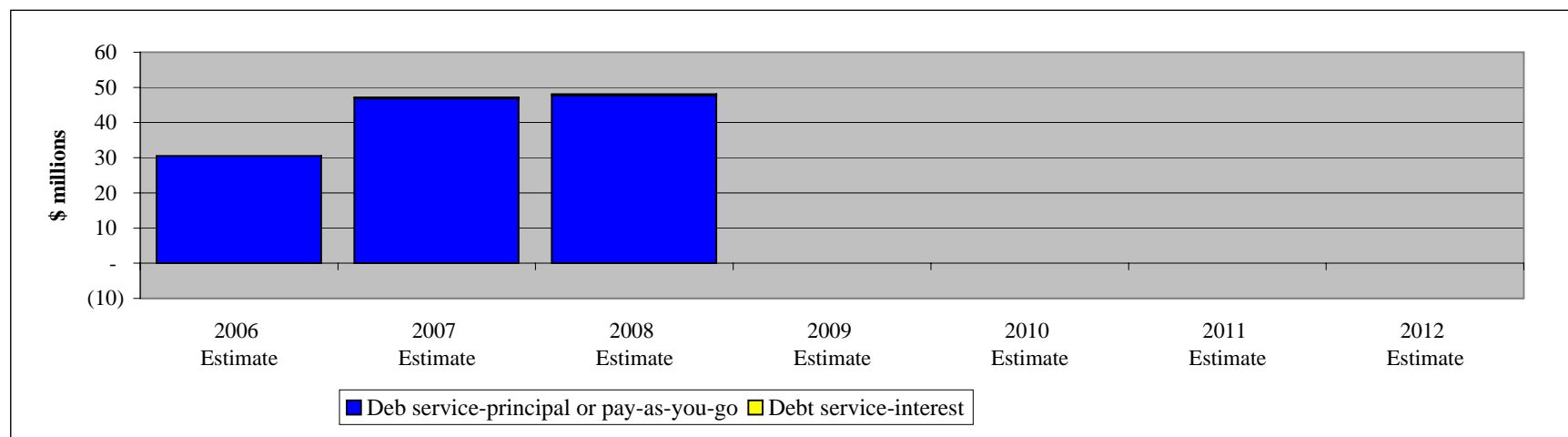
### Flat Fee



Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.5	2.3	4.1	4.1	3.1	1.9	0.6	16.6
2	Deb service-principal or pay-as-you-go	12.7	18.1	16.8	17.0	18.6	20.3	21.5	125.0
3	Total revenue requirement	13.2	20.4	20.9	21.1	21.7	22.2	22.1	141.6
4	GWh	199.3	307.8	314.5	321.4	328.2	335.4	342.1	
5	Nodal Surcharge	\$0.0661	\$0.0663	\$0.0664	\$0.0658	\$0.0660	\$0.0662	\$0.0647	\$0.0659
6									
7	Incremental Debt Outstanding	17.3	59.2	77.4	60.4	41.8	21.5	0.0	
8									
9	(\$ / MWH)								
10	Debt service-interest	0.0024	0.0075	0.0130	0.0129	0.0093	0.0057	0.0019	
11	Debt service-principal or pay as you go	0.0637	0.0588	0.0534	0.0529	0.0567	0.0605	0.0628	
12	Total revenue requirement	\$0.0661	\$0.0663	\$0.0664	\$0.0658	\$0.0660	\$0.0662	\$0.0647	
13									
14									
15									
16									
17	Estimated market redesign expenditures	30.0	60.0	35.0	-	-	-	-	125.0
18	Revenue-funding for market redesign	12.7	18.1	16.8	17.0	18.6	20.3	21.5	125.0
19	Assumed incremental debt funding	17.3	41.9	18.2	(17.0)	(18.6)	(20.3)	(21.5)	-
20									
21	Cumulative incremental debt funding	17.3	59.2	77.4	60.4	41.8	21.5	-	
22	Average outstanding incremental debt	8.7	38.3	68.3	68.9	51.1	31.7	10.8	
23	Interest rate	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	
24	Assumed incremental interest expense	0.5	2.3	4.1	4.1	3.1	1.9	0.6	16.6

# ERCOT Nodal Funding

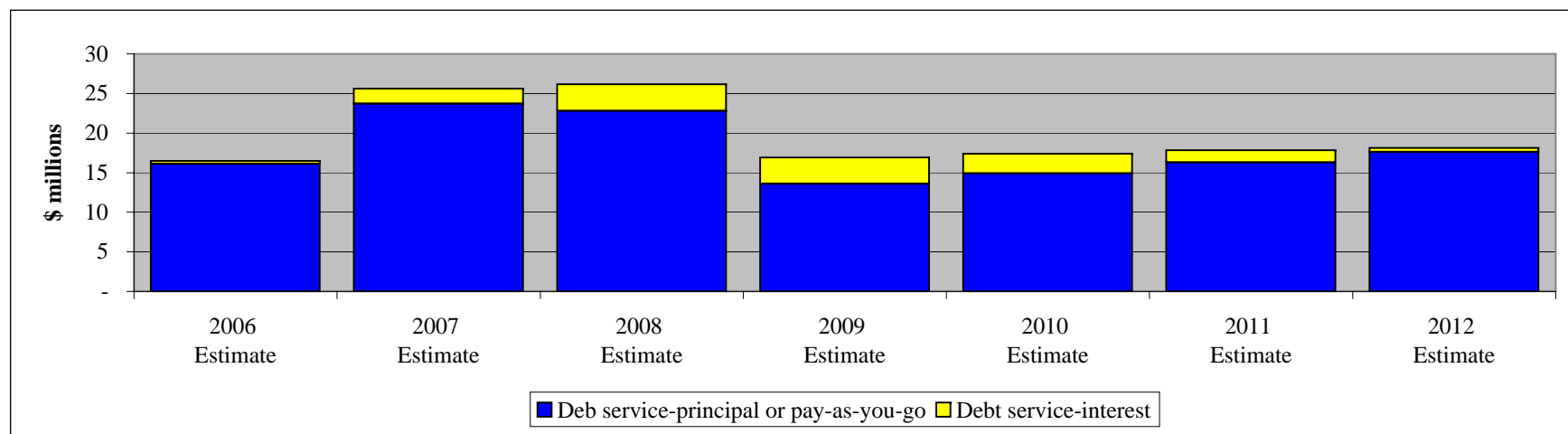
## 100% Revenue Funding



Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.7
2	Deb service-principal or pay-as-you-go	30.5	46.8	47.7					125.0
3	Total revenue requirement	30.5	47.2	48.1	0.0	0.0	0.0	0.0	125.7
4	GWh	199.3	307.8	314.5	321.4	328.2	335.4	342.1	
5	Nodal Surcharge	\$0.1530	\$0.1532	\$0.1529	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0656
6									
7	Incremental Debt Outstanding	-0.5	12.7	0.0	0.0	0.0	0.0	0.0	
8									
9	(\$ / MWh)								
10	Debt service-interest	(0.0001)	0.0012	0.0012	-	-	-	-	
11	Debt service-principal or pay as you go	0.1531	0.1520	0.1517	-	-	-	-	
12	Total revenue requirement	\$0.1530	\$0.1532	\$0.1529	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
13									
14									
15									
16									
		2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
17	Estimated market redesign expenditures	30.0	60.0	35.0	-	-	-	-	125.0
18	Revenue-funding for market redesign	30.5	46.8	47.7	-	-	-	-	125.0
19	Assumed incremental debt funding	(0.5)	13.2	(12.7)	-	-	-	-	-
20									
21	Cumulative incremental debt funding	(0.5)	12.7	-	-	-	-	-	
22	Average outstanding incremental debt	(0.3)	6.1	6.4	-	-	-	-	
23	Interest rate	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	
24	Assumed incremental interest expense	(0.0)	0.4	0.4	-	-	-	-	0.7

# ERCOT Nodal Funding

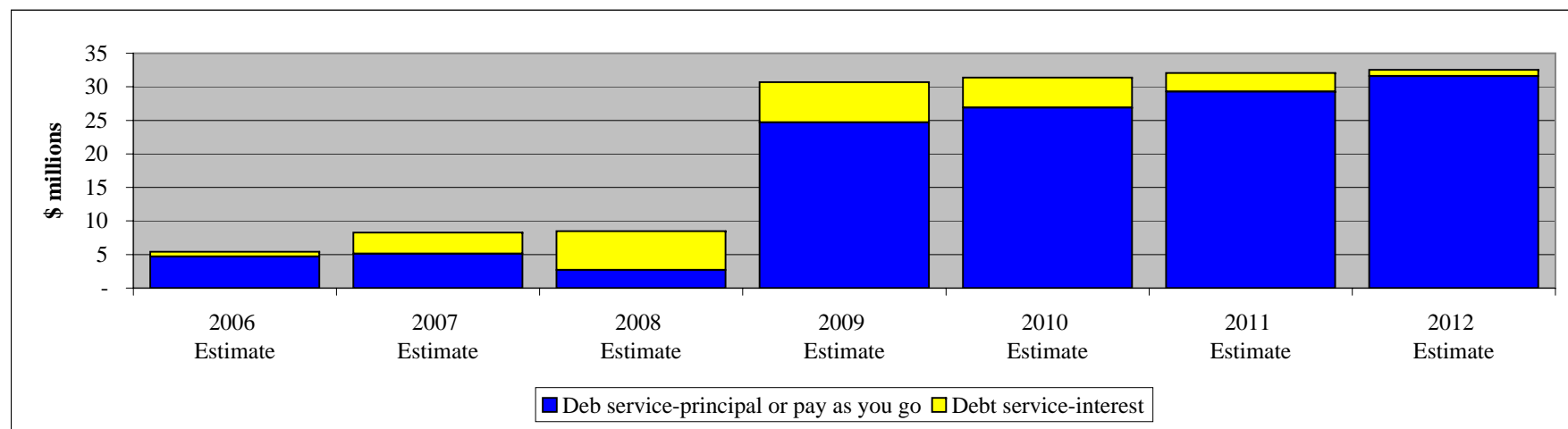
## 50% Revenue Funding



Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.4	1.9	3.4	3.3	2.5	1.5	0.5	13.6
2	Deb service-principal or pay-as-you-go	16.1	23.7	22.8	13.6	14.9	16.3	17.6	125.0
3	Total revenue requirement	16.5	25.6	26.2	16.9	17.4	17.8	18.1	138.6
4	GWh	199.3	307.8	314.5	321.4	328.2	335.4	342.1	
5	Nodal Surcharge	\$0.0827	\$0.0832	\$0.0832	\$0.0527	\$0.0530	\$0.0532	\$0.0530	\$0.0659
6									
7	Incremental Debt Outstanding	13.9	50.2	62.4	48.8	33.9	17.6	0.0	
8									
9	(\$/MWH)								
10	Debt service-interest	0.0019	0.0062	0.0107	0.0104	0.0076	0.0046	0.0015	
11	Debt service-principal or pay as you go	0.0808	0.0770	0.0725	0.0423	0.0454	0.0486	0.0514	
12	Total revenue requirement	\$0.0827	\$0.0832	\$0.0832	\$0.0527	\$0.0530	\$0.0532	\$0.0530	
13									
14									
15									
16									
		2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
17	Estimated market redesign expenditures	30.0	60.0	35.0	-	-	-	-	125.0
18	Revenue-funding for market redesign	16.1	23.7	22.8	13.6	14.9	16.3	17.6	125.0
19	Assumed incremental debt funding	13.9	36.3	12.2	(13.6)	(14.9)	(16.3)	(17.6)	-
20									
21	Cumulative incremental debt funding	13.9	50.2	62.4	48.8	33.9	17.6	-	
22	Average outstanding incremental debt	7.0	32.1	56.3	55.6	41.4	25.8	8.8	
23	Interest rate	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	
24	Assumed incremental interest expense	0.3823	1.9230	3.3780	3.3360	2.4810	1.5450	0.5280	13.6

# ERCOT Nodal Funding

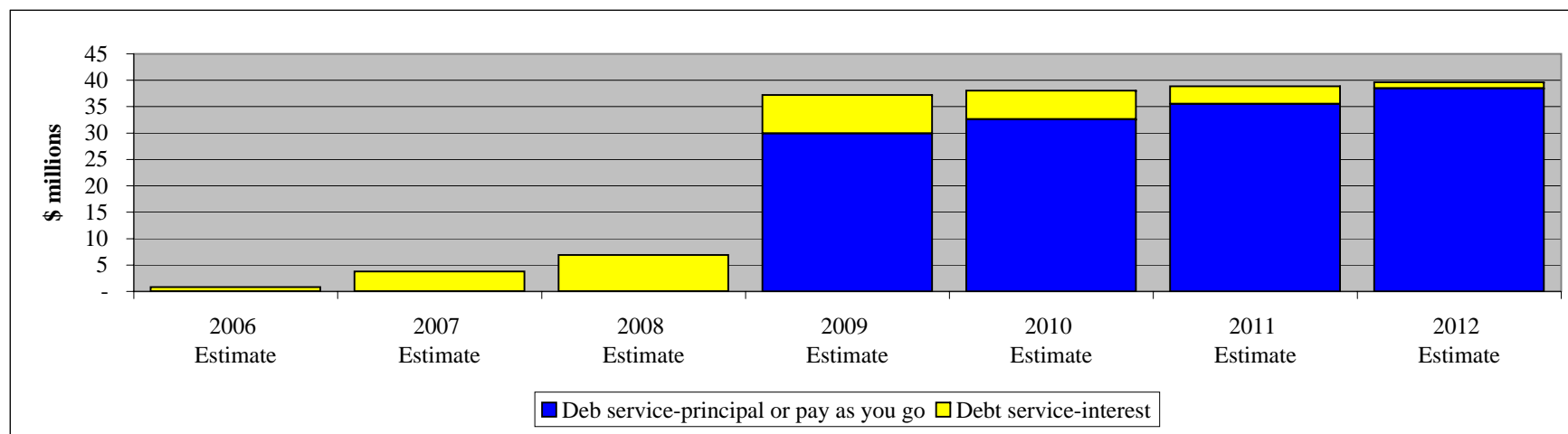
## 10% Revenue Funding



Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.7	3.2	5.8	6.0	4.5	2.8	0.9	23.8
2	Deb service-principal or pay as you go	4.7	5.1	2.7	24.7	26.9	29.3	31.6	125.0
3	Total revenue requirement	5.4	8.3	8.5	30.7	31.4	32.1	32.5	148.8
4	GWh	199.3	307.8	314.5	321.4	328.2	335.4	342.1	
5	Nodal Surcharge	\$0.0271	\$0.0269	\$0.0270	\$0.0955	\$0.0956	\$0.0956	\$0.0951	\$0.0661
6									
7	Incremental Debt Outstanding	25.3	80.2	112.5	87.8	60.9	31.6	0.0	
8									
9	(\$ / MWh)								
10	Debt service-interest	0.0035	0.0103	0.0184	0.0187	0.0136	0.0083	0.0028	
11	Debt service-principal or pay as you go	0.0236	0.0166	0.0086	0.0769	0.0820	0.0874	0.0924	
12	Total revenue requirement	\$0.0271	\$0.0269	\$0.0270	\$0.0955	\$0.0956	\$0.0956	\$0.0951	
13									
14									
15									
16									
		2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
17	Estimated market redesign expenditures	30.0	60.0	35.0	-	-	-	-	125.0
18	Revenue-funding for market redesign	4.7	5.1	2.7	24.7	26.9	29.3	31.6	125.0
19	Assumed incremental debt funding	25.3	54.9	32.3	(24.7)	(26.9)	(29.3)	(31.6)	-
20									
21	Cumulative incremental debt funding	25.3	80.2	112.5	87.8	60.9	31.6	-	
22	Average outstanding incremental debt	12.7	52.8	96.4	100.2	74.4	46.3	15.8	
23	Interest rate	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	
24	Assumed incremental interest expense	0.7	3.2	5.8	6.0	4.5	2.8	0.9	23.8

# ERCOT Nodal Funding

## 100% Debt Funding



Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.8	3.8	6.9	7.3	5.4	3.4	1.2	28.8
2	Deb service-principal or pay as you go	0.0	0.0	0.0	29.9	32.6	35.5	38.5	136.5
3	Total revenue requirement	0.8	3.8	6.9	37.2	38.0	38.9	39.7	165.3
4	GWh	199.3	307.8	314.5	321.4	328.2	335.4	342.1	
5	Nodal Surcharge	\$0.0043	\$0.0122	\$0.0220	\$0.1157	\$0.1158	\$0.1159	\$0.1159	\$0.0717
6									
7	Incremental Debt Outstanding	30.8	94.6	136.5	106.6	74.0	38.5	0.0	
8									
9	(\$ / MWh)								
10	Debt service-interest	0.0043	0.0122	0.0220	0.0227	0.0165	0.0101	0.0034	
11	Debt service-principal or pay as you go	-	-	-	0.0930	0.0993	0.1058	0.1125	
12	Total revenue requirement	\$0.0043	\$0.0122	\$0.0220	\$0.1157	\$0.1158	\$0.1159	\$0.1159	
13									
14									
15									
16									
		2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
17	Estimated market redesign expenditures	30.0	60.0	35.0	-	-	-	-	125.0
18	Revenue-funding for market redesign	(0.8)	(3.8)	(6.9)	29.9	32.6	35.5	38.5	125.0
19	Assumed incremental debt funding	30.8	63.8	41.9	(29.9)	(32.6)	(35.5)	(38.5)	-
20									
21	Cumulative incremental debt funding	30.8	94.6	136.5	106.6	74.0	38.5	-	
22	Average outstanding incremental debt	15.4	62.7	115.6	121.6	90.3	56.3	19.3	
23	Interest rate	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	
24	Assumed incremental interest expense	0.8	3.8	6.9	7.3	5.4	3.4	1.2	28.8