

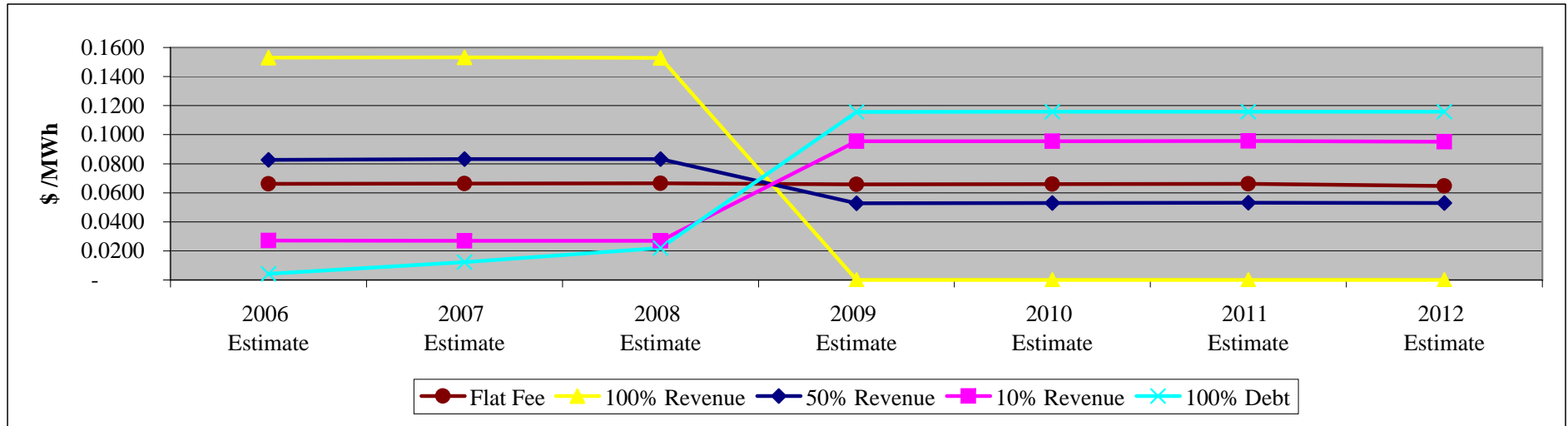
## ERCOT Nodal Funding Summary Comparison

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

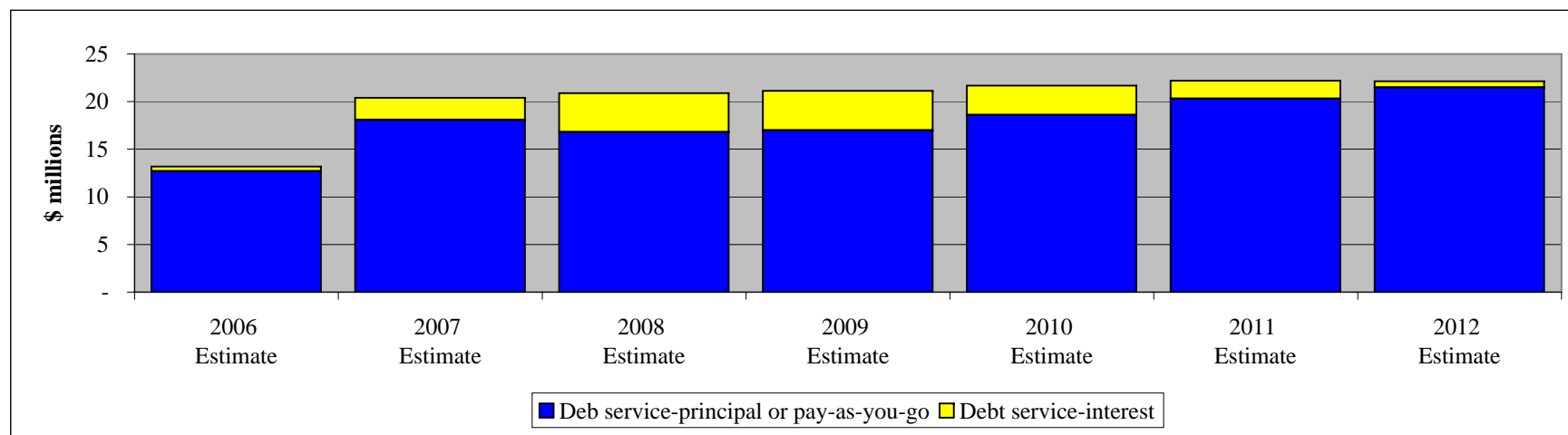
- \$125 million total cost of wholesale market redesign allocated \$30 million, \$60 million, and \$35 million over 2006, 2007, and 2008 (system development period) respectively.
- Debt financing is available for each scenario at approximately the same rates
  - 5.5 percent variable rate debt on 2006 borrowing
  - 6.0 percent fixed or variable rate debt on borrowing in years after 2006.
- 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.
- 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).
- Energy consumption (MWhs) estimates are consistent with assumptions included in ERCOT's 2006 budget and fee filing package.
- The collection of a Nodal Surcharge in 2006 is assumed to begin around June 1, 2006.

## ERCOT Nodal Funding Fee Profile Comparison



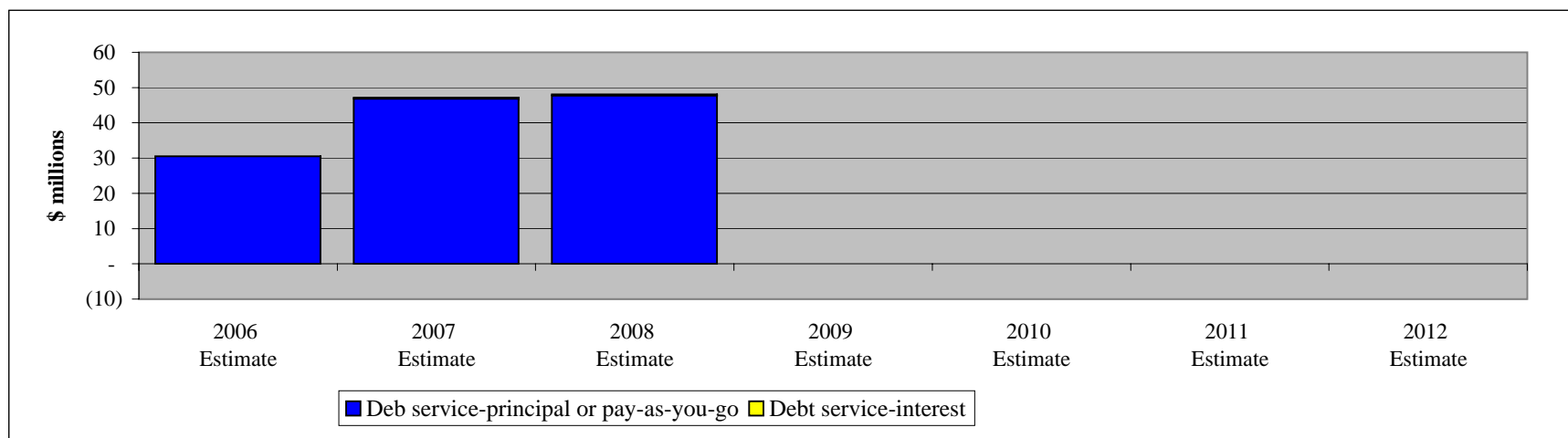
Line	Scenario / Option	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Average
1	Flat Fee	0.0661	0.0663	0.0664	0.0658	0.0660	0.0662	0.0647	0.0659
2	100% Revenue	0.1530	0.1532	0.1529	0.0000	0.0000	0.0000	0.0000	0.0656
3	50% Revenue	0.0827	0.0832	0.0832	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



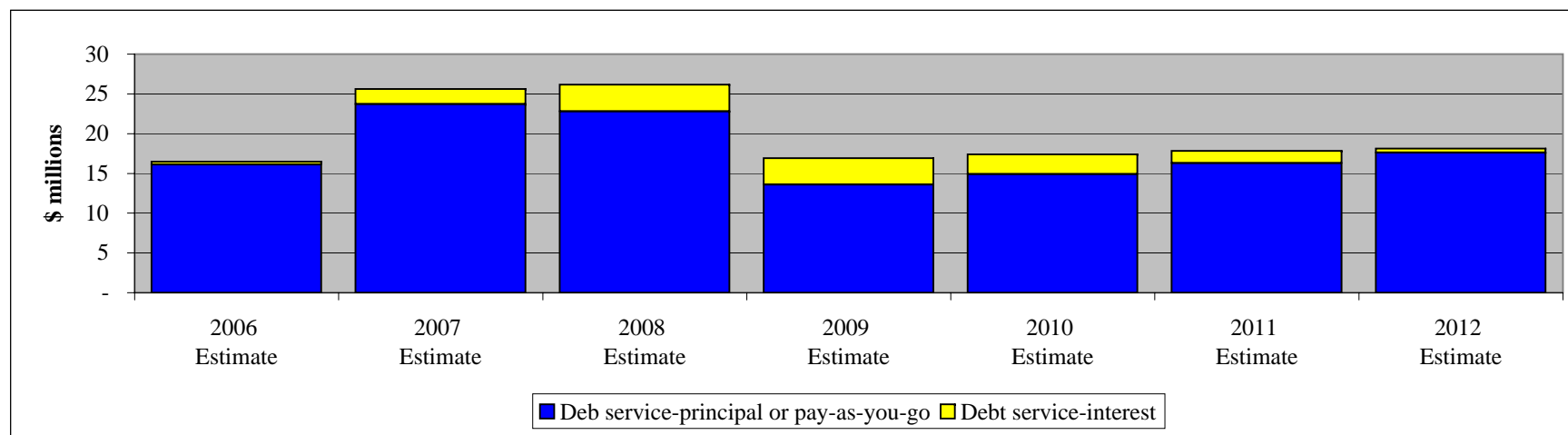
Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.5	2.3	4.1	4.1	3.1	1.9	0.6	16.6
2	Deb service-principal or pay-as-you-go	12.7	18.1	16.8	17.0	18.6	20.3	21.5	125.0
3	Total revenue requirement	13.2	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	<b>Nodal Surcharge</b>	<b>\$0.0661</b>	<b>\$0.0663</b>	<b>\$0.0664</b>	<b>\$0.0658</b>	<b>\$0.0660</b>	<b>\$0.0662</b>	<b>\$0.0647</b>	<b>\$0.0659</b>
6									
7	Incremental Debt Outstanding	17.3	59.2	77.4	60.4	41.8	21.5	0.0	
8									
9	<b>(\$/MWH)</b>								
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**



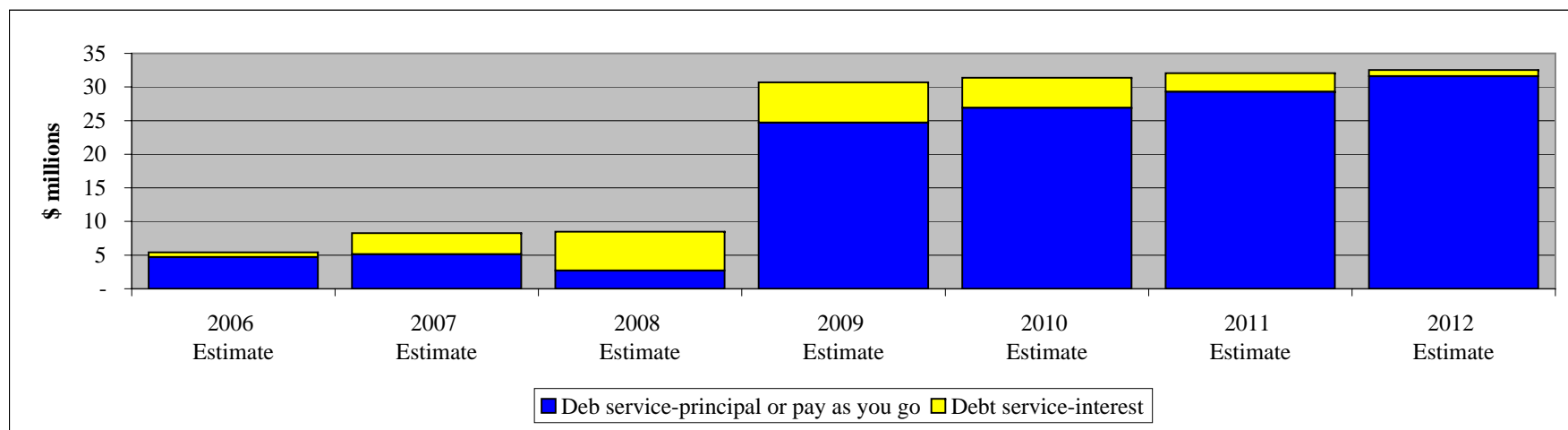
Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.7
2	Deb service-principal or pay-as-you-go	30.5	46.8	47.7					125.0
3	Total revenue requirement	30.5	47.2	48.1	0.0	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									
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



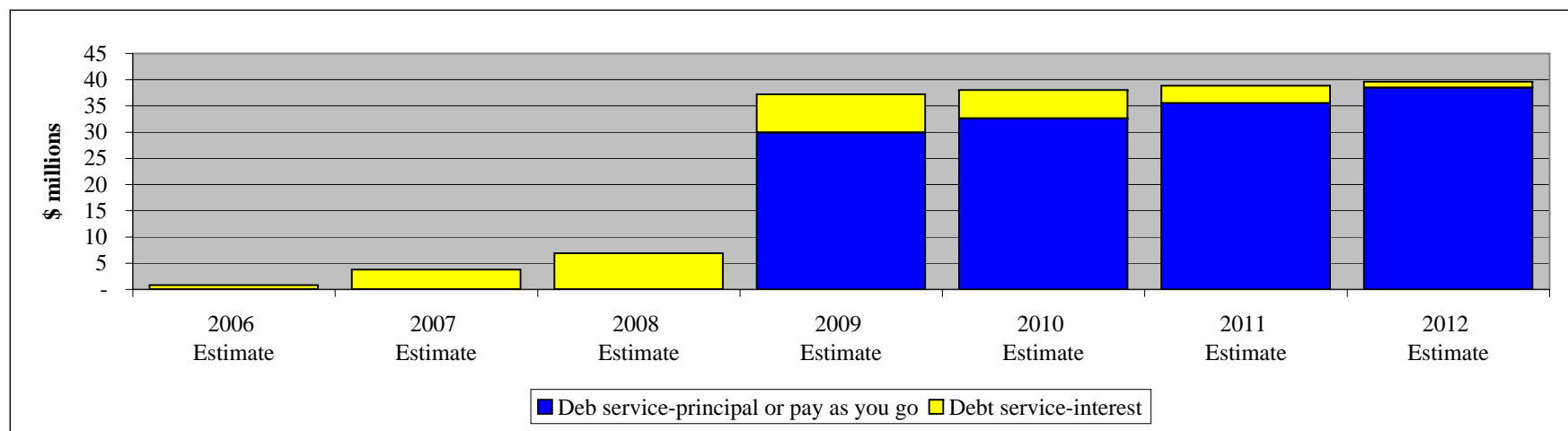
Line	(\$Millions)	2006 Estimate	2007 Estimate	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate	2012 Estimate	Total or Average
1	Debt service-interest	0.4	1.9	3.4	3.3	2.5	1.5	0.5	13.6
2	Deb service-principal or pay-as-you-go	16.1	23.7	22.8	13.6	14.9	16.3	17.6	125.0
3	Total revenue requirement	16.5	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	Deb 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									
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	Deb 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									
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