

□ Funding

■ Nodal Program

- Costs fully recovered through the Texas Nodal Surcharge and will not be presented in the 2008 budget proposal
- Inclusion Exception - Zonal/Nodal Interdependent projects funded through the System Administration Fee (if approved as filed by ERCOT)

■ Regional Entity

- Statutory functions funded through NERC assessment
- ERCOT compliance functions (non-statutory/Protocol compliance) funded through System Administration Fee
- No change in regional entity organizational structure

■ Market Monitoring

- No change in service anticipated
- Continue to fund through System Administration Fee

□ Expenditures

- Compensation and Staffing
 - Incorporate conclusions from PUCT workforce study (if available)
 - No change in employee benefit plans anticipated
 - Cost fluctuations to be shared between employer and employee
 - Incorporate merit and promotion funding consistent with market practices
 - Adjust for Contra labor to Nodal and Zonal projects
- Hardware/Software maintenance and support - no significant increases anticipated
- Expense Categories – include inflationary adjustment where appropriate

□ Project Funding

- Funding ratio restored - 60% debt / 40% revenue
- Identify and prioritize projects through TAC & F&A
- 2008 revenue requirement includes specific funding for only those projects that are expected to be through the planning phase by December 31, 2007
- Remaining projects are on a “candidate list” and will be considered for implementation after planning is complete
- Include Zonal/Nodal Interdependent projects funded through System Administration Fee (if approved by PUCT)

□ Nodal Program

- All hardware and software necessary to ensure the Nodal market is operational is funded via the Nodal Surcharge
 - Exception: \$37M Zonal/Nodal Interdependent projects
- Personnel resources and staff training required to operate Nodal market are acquired and conducted according to the Nodal Program plan and are funded via the Nodal Surcharge



2008 Budget Development Schedule

Monday, Apr. 23	Executive Committee - 2008 Strategic Planning & Budget Discussion
Monday, May 7	Executive Committee - 2008 Strategic Planning & Budgeting Assumptions
Wednesday, May 16	Board Agenda - Strategic Planning & Budgeting Assumptions <i>(briefing & request for public comment)</i>
Thursday, May 31	Budget Kick-off Meeting Instructions & Templates Distributed
Tuesday, June 5	PUCT Staff - Assumption & Timeline Discussion
Monday, June 18 - Wednesday, June 20	Departmental Submittals reviewed by Divisional VPs
Tuesday, June 19	Finance & Audit Committee Agenda - Budget/PPL Status Update
Wednesday, June 20	Submit Departmental Budget Request
Wednesday, June 20 - Friday, June 22	Calculate & Compile DRAFT Categorical Budget (Budget staff)
Monday, June 25 - Friday, June 29	Preliminary Budget Review by Office-- VP/Director/Manager CFO Review Meetings Budget Revisions (as necessary)
Monday, July 2	Executive Committee - 2008 Preliminary Budget Review (Company/Divisional levels)
Tuesday, July 3 - Friday, July 6	Departmental Adjustments Based on Executive Review
Monday, July 9	Executive Committee - 2008 Budget Final Review
Tuesday, July 10	Begin Testimony Preparation
Tuesday, July 17	Finance & Audit Committee Agenda - Preliminary Budget/PPL Presentation <i>(Courtesy copy to all Board members)</i>
Tuesday, July 17	Public Meeting - Preliminary 2008 Budget Presentation <i>(in conjunction w/Finance & Audit Committee Meeting)</i>
Wednesday, July 18 - Tuesday, July 31	PUCT Staff Review
Thursday, Aug. 2	Finance & Audit Committee Special Meeting - 2008 Budget Review (if necessary)
Friday, Aug. 17	Testimony - 1st Draft Due
Tuesday, Aug. 21	Board Agenda - Finance & Audit Committee 2008 Budget Recommendation and Board Review
Friday, Sept. 7	Testimony Finalized
Tuesday, Sept. 18	Board Agenda - 2008 Budget Approval/Vote
Wednesday, Sept. 19 - Thursday, Sept. 27	Review PUCT Fee Filing
Friday, Sept. 28	PUCT Fee Filing

NOTE
(1) Schedule assumes PUCT Fee Filing will be required