2008 Budget Development Schedule

Date	Action	Status
Wednesday, Apr. 18	Finance & Audit Committee - Preliminary Budget & Business Plan Discussion	√
Friday, May 4	Finance & Audit Committee - Special Meeting	√
Friday, May 11	NERC - First Draft - Preliminary Business Plan and Budget Due (Statutory Functions)	√
Wednesday, May 16	Finance & Audit Committee/Board - Preliminary Budget Presentation and Final Business Plan Review	√
Thursday, May 17	Open Meeting - Business Plan and Proposed Budget Presentation	√
Monday, May 28	Finance & Audit Committee Special Meeting - Budget Review and Recommendation (if necessary)	√
Friday, Jun. 1	NERC - Final Business Plan and Budget (Draft) due to NERC (Statutory and Non-Statutory Functions)	√
Thursday, Jun. 19	Board - Final Budget Approval	
Thursday, July 12	NERC - Final Board Approved Budget Due	

2008 Texas Regional Entity Budget Summary

- **Adequate staffing needed to comply with FERC mandates and NERC requirements, including ERO Rules of Procedure**
  - Process driven – very structured
  - Audits, investigations, and analyses
  - Tracking, reporting, and documentation
  - Increasing number of FERC approved reliability standards
  - Monetary penalties and non-monetary sanctions
  - Appeals of violations and penalties/sanctions
- **Must maintain clear independence from all owners, operators, and users of the bulk power system**
- **Includes compliance monitoring of reliability-based ERCOT Protocols and Operating Guides as a separate and parallel process to the NERC Program**

2008 Texas Regional Entity Budget Summary

- **2008 proposed budget 25% less than 2007 - $5,514,219 → $4,144,849**
- **Additional staffing requested to keep pace with anticipated work load and regulatory requirements**
  - Positions filled only when/if needed
- **Projected 2007 statutory spending ~$2.6M under budget**
  - Original schedule was for mandatory standards compliance to begin January 1, 2007 – all positions were fully funded
  - Reduction in capital project expenditures
  - Unspent 2007 budget will be applied to the 2008 budget
- **Penalty money collected applied to subsequent years' budget**
  - ERCOT ISO applied to ERO Budget
  - All other Registered Entities' applied to Texas RE Budget

Proposed Texas Regional Entity Organization (2007 → 2008)

Summary – 2008 Budget Request

Statement of Activities 2008 Budget	Total	Statutory Total	Non-Statutory Total
Funding			
ERO Funding	3,226,066	3,226,066	-
Workshops	70,000	70,000	-
System Administration Fee	848,782	-	848,782
Total Funding	4,144,849	3,296,066	848,782
Expenses			
Personnel Expenses			
Salaries	2,242,783	1,718,289	524,494
Payroll Taxes	186,151	142,618	43,533
Benefits	269,134	206,195	62,939
Retirement Costs	262,406	201,040	61,366
Total Personnel Expenses	2,960,474	2,268,141	692,332
Meeting Expenses			
Meetings	73,240	73,240	-
Travel	97,135	93,235	3,900
Conference Calls	1,000	1,000	-
Total Meeting Expenses	171,375	167,475	3,900
Operating Expenses			
Contracts & Consultants	89,000	89,000	-
Facility/IT Services	271,000	203,000	68,000
Office Costs	20,000	17,450	2,550
Professional Services	338,000	256,000	82,000
Contingency	295,000	295,000	-
Total Operating Expenses	1,013,000	860,450	152,550
Total Expenses	4,144,849	3,296,066	848,782
FTEs	25	19	6

2008 Statutory Budget Request

Statement of Activities 2008 Budget	Statutory Total	Functions in Delegation Agreement									
		Reliability Standards	Compliance & Organization Registration & Certification	Reliability Readiness Audit & Improvement	Reliability Assessment & Performance Analysis	Training & Education	Situational Awareness & Infrastructure Security	General Administrative	Legal & Regulatory	Information Technology	Accounting & Finance
Funding											
ERO Funding	3,226,066	215,454	892,898	58,345	574,242	73,503	46,925	779,024	308,281	124,735	152,659
Workshops	70,000	-	-	-	-	70,000	-	-	-	-	-
System Administration Fee	-	-	-	-	-	-	-	-	-	-	-
Total Funding	3,296,066	215,454	892,898	58,345	574,242	143,503	46,925	779,024	308,281	124,735	152,659
Expenses											
Personnel Expenses											
Salaries	1,718,289	144,806	584,760	32,368	385,676	38,154	32,368	176,207	163,811	85,670	74,469
Payroll Taxes	142,618	12,019	48,535	2,687	32,011	3,167	2,687	14,625	13,596	7,111	6,181
Benefits	206,195	17,377	70,171	3,884	46,281	4,578	3,884	21,145	19,657	10,280	8,936
Retirement Costs	201,040	16,942	68,417	3,787	45,124	4,464	3,787	20,616	19,166	10,023	8,713
Total Personnel Expenses	2,268,141	191,144	771,883	42,725	509,092	50,363	42,725	232,594	216,231	113,085	98,299
Meeting Expenses											
Meetings	73,240	810	810	-	810	70,000	-	-	810	-	-
Travel	93,235	8,500	46,205	10,620	4,340	10,140	200	6,480	2,740	150	3,860
Conference Calls	1,000	-	-	-	-	-	-	1,000	-	-	-
Total Meeting Expenses	167,475	9,310	47,015	10,620	5,150	80,140	200	7,480	3,550	150	3,860
Operating Expenses											
Contracts & Consultants	89,000	-	-	-	-	-	-	89,000	-	-	-
Facility/IT Services	203,000	-	-	-	-	-	-	203,000	-	-	-
Office Costs	17,450	-	-	-	-	-	-	15,950	500	500	500
Professional Services	256,000	-	-	-	-	-	-	160,000	60,000	-	36,000
Contingency	295,000	15,000	74,000	5,000	60,000	13,000	4,000	71,000	28,000	11,000	14,000
Total Operating Expenses	860,450	15,000	74,000	5,000	60,000	13,000	4,000	538,950	88,500	11,500	50,500
Total Expenses	3,296,066	215,454	892,898	58,345	574,242	143,503	46,925	779,024	308,281	124,735	152,659

2008 Non-Statutory Budget Request

Statement of Activities 2008 Budget	Non-Statutory Total	Non-Statutory Functions: Protocol & Operating Compliance	General & Administrative	Legal & Regulatory	Information Technology	Accounting & Finance
Funding						
System Administration Fee	848,782	475,763	201,081	90,277	37,845	43,816
Total Funding	848,782	475,763	201,081	90,277	37,845	43,816
Expenses						
Personnel Expenses						
Salaries	524,494	357,775	58,736	54,604	28,557	24,823
Payroll Taxes	43,533	29,695	4,875	4,532	2,370	2,060
Benefits	62,939	42,933	7,048	6,552	3,427	2,979
Retirement Costs	61,366	41,860	6,872	6,389	3,341	2,904
Total Personnel Expenses	692,332	472,263	77,531	72,077	37,695	32,766
Meeting Expenses						
Meetings	-	-	-	-	-	-
Travel	3,900	3,500	-	200	150	50
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	3,900	3,500	-	200	150	50
Operating Expenses						
Contracts & Consultants	-	-	-	-	-	-
Facility/IT Services	68,000	-	68,000	-	-	-
Office Costs	2,550	-	2,550	-	-	-
Professional Services	82,000	-	53,000	18,000	-	11,000
Contingency	-	-	-	-	-	-
Total Operating Expenses	152,550	-	123,550	18,000	-	11,000
Total Expenses	848,782	475,763	201,081	90,277	37,845	43,816

Reserve Funding Analysis

Cash Available 2007:

Cash Balance @ 12/31/06	$ -
2007 TRE Funding	4,870,755
Change in Assets	-
Total Cash Available 2007	$ 4,870,755

Cash Needed 2007:

Projected Expenses	$ 2,224,440
Change in Liabilities	-
Total Cash Needed 2007	$ 2,224,440
Projected Ending Cash Balance @ 12/31/07	$ 2,646,315

2008 TRE Funding	$ 3,296,066
Less: Projected Ending Cash Balance @ 12/31/07	2,646,315
Net 2008 TRE Funding Requirement	**$ 649,751**

Note: 2008 Fee assessment will be comprised of TRE funding requirement plus allocated share of NERC funding requirement