



# 2008 Budget Development

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Chief Financial Officer

**Board Meeting**

**July 17, 2007**

- **Assumptions**

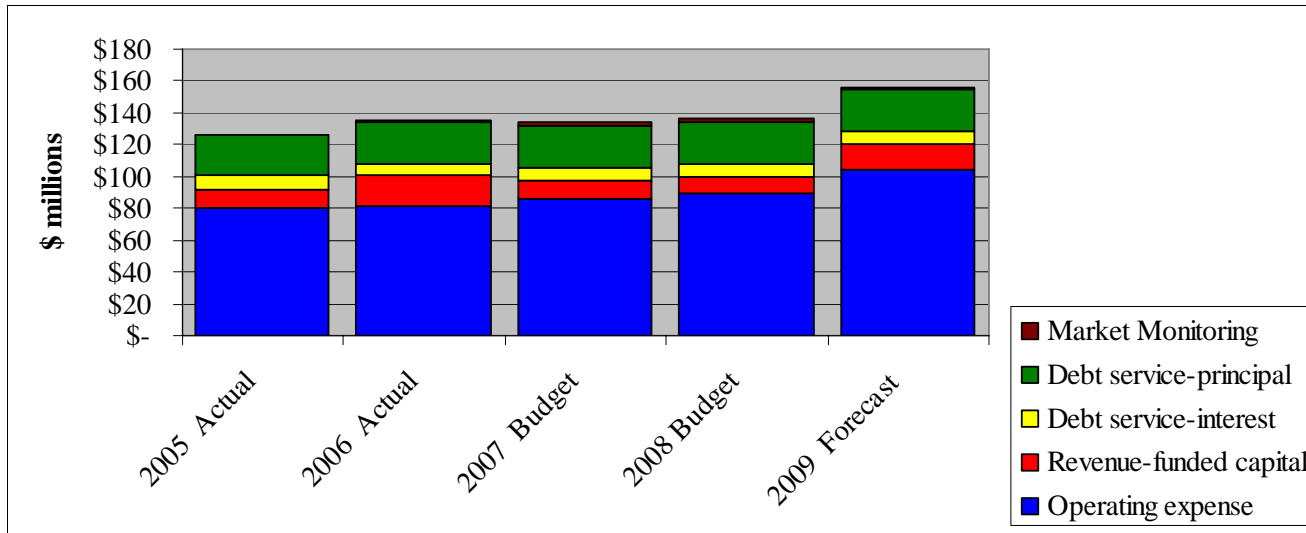
- Overriding objective....to provide efficient and effective services to the citizens of Texas
- No significant change in ERCOT services, systems, or facilities
  - Base Operations
    - Includes Market Monitoring and Texas Regional Entity non-statutory functions
- No change in components of revenue requirement
  - Operating Expenses (excluding depreciation)
  - Revenue funded project expenditures (40% of project budget)
  - Debt service (principal and interest)
- Utilization of MWh load projections provided by ERCOT Planning
- Exclude functions with designated funding sources
  - Nodal Program Implementation
  - Texas Regional Entity (TRE) Statutory Functions

- **Overview**

- System Administration fee held constant at \$.4171 per MWh in 2008
- Total ERCOT revenue from all sources in 2008 down slightly from 2007
  - Due to expected TRE over collection in 2007
- Anticipate System Administration fee increase in 2009 resulting from continued upward pressure on fee income
  - Nodal market implementation
  - Met center facility
  - Market credit
  - Internal control and security

- **Notable Expense Components and Directional Budget Impact on ERCOT Base Operations**
  - MWh growth assumed relieves budget pressure in 2008
  - Lower costs assumed relieves budget pressure in 2008
    - Project spending
    - NERC dues
    - Compliance department costs
  - Higher costs assumed increase budget pressure in 2008
    - Salary administration
    - Employee benefits
    - Insurance

# 2008 Budget Development

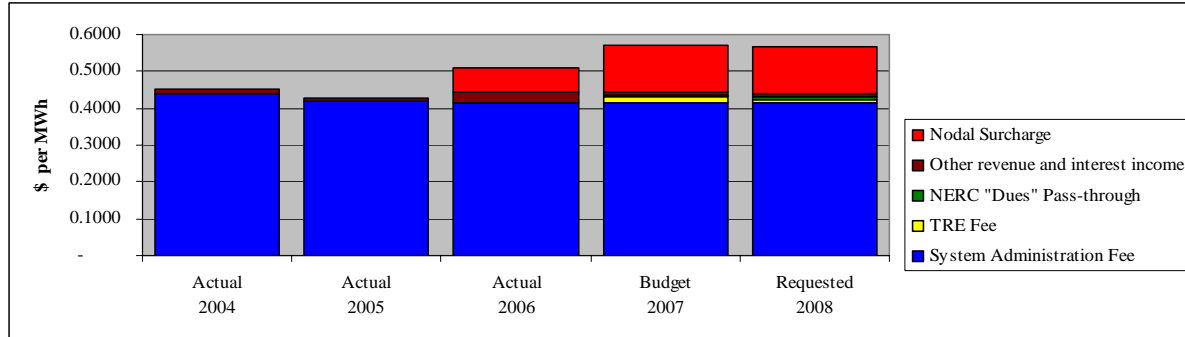


(\$Millions)	2005 Actual	2006 Actual	2007 Budget	2008 Budget	2009 Forecast
Operating expense	80.3	80.9	86.0	89.5	104.2
Revenue-funded capital	10.9	19.5	12.0	10.7	16.0
Debt service-interest	9.2	7.6	8.0	7.9	8.2
Debt service-principal	26.1	26.1	26.1	26.1	26.1
Market Monitoring	0.0	0.6	1.7	1.8	1.7
<b>Total revenue requirement</b>	<b>126.5</b>	<b>134.7</b>	<b>133.8</b>	<b>136.0</b>	<b>156.2</b>
GWh	298.8	304.4	312.7	317.8	325.0
<b>System Administration Fee</b>	<b>\$0.42</b>	<b>\$0.4164</b>	<b>\$0.4171</b>	<b>\$0.4171</b>	<b>\$0.4700</b>
Total Project Spending	16.4	34.5	44.0	26.7	40.0
(\$ / MWh)					
Operating expense	0.26	0.25	0.2680	0.2746	0.3136
Revenue-funded capital	0.04	0.06	0.0374	0.0328	0.0481
Debt service-interest	0.03	0.02	0.0250	0.0242	0.0245
Debt service-principal	0.09	0.08	0.0815	0.0802	0.0787
Market Monitoring	0.00	0.00	0.0051	0.0054	0.0051
<b>Total revenue requirement</b>	<b>\$0.42</b>	<b>\$0.4164</b>	<b>\$0.4171</b>	<b>\$0.4171</b>	<b>\$0.4700</b>

**Note:**

- (1) Other revenue will supplement System Administration Fee to meet total funding requirement.
- (2) Revenues collected in excess of funding requirement are utilized to reduce debt funding.

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(\$ per MWh)	Note	Actual 2004	Actual 2005	Actual 2006	Budget 2007	Requested 2008
System Administration Fee	(1)	0.4400	0.4200	0.4171	0.4171	0.4171
Other Revenue and Interest Income	(2)	0.0103	0.0077	0.0263	0.0107	0.0108
TRE Fee	(3)	0.0000	0.0000	0.0000	0.0160	0.0080
NERC "Dues" Pass-through	(4)	0.0000	0.0000	0.0000	0.0011	0.0055
Subtotal	(6)	0.4503	0.4277	0.4434	0.4449	0.4414
Nodal Surcharge	(5)	0.0000	0.0000	0.0663	0.1270	0.1270
Total		0.4503	0.4277	0.5097	0.5719	0.5684
MWh		288,291,328	298,782,420	304,373,763	312,680,098	317,788,700

## Notes:

- (1) System Administration Fee covers ERCOT's "base operations".
- (2) Other revenue and interest income is comprised of wide-area network revenue, non-ERCOT load serving entity revenue, generation interconnection revenue, membership dues, map sales, interest income, and other non-operating income.
- (3) Texas Regional Entity Fee commenced in 2007. Favorable budget variance from 2007 is expected to reduce the fee in 2008. It is assumed balance is restored in 2009 at the 2007 fee level of \$0.016 per MWh. The method by which the Texas Regional Entity Fee is assessed and collected is subject to an active Protocol Revision Request (PRR 720).
- (4) NERC "Dues" Pass Through was reflected in the System Administration Fee until 2007. In 2007, the System Administration Fee covers includes approximately \$967,000 for "NERC Dues". New responsibility and reorganizations at NERC resulted in significant increases to the organization's dues assessments. Organization of the Texas Regional Entity brought better understanding of the nature of "NERC Dues".
- (5) The Nodal Surcharge will remain in effect until the costs of implementing the Nodal Program as approved by the Public Utility Commission of Texas, are fully recovered. It is currently expected the Nodal Surcharge will cease to be collected in late-2012.
- (6) The cost of ERCOT activity, on a per MWh basis, excluding the Nodal Program, has declined by 2 percent since 2004. Load growth over the five-year period (approximately 9 percent) has outpaced inflation, staff growth, and the incremental cost of new responsibilities at ERCOT, such as the Texas Regional Entity.

# 2008 Budget Development

## Revenue Requirement and ERCOT System Administration Fee Summary Table

(in thousands)

<i>Reference</i>	<b>Actual FY 2005</b>	<b>Actual FY 2006</b>	<b>Budget FY 2007</b>	<b>Forecast FY 2008</b>	<b>Forecast FY 2009</b>
ERCOT O&M Expense					
<i>Labor &amp; Benefits</i>	\$ 54,239	\$ 59,131	\$ 72,988	\$ 82,207	\$ 77,565
<i>Contra-Labor to Capital Projects</i>	(5,174)	(4,396)	(7,374)	(4,738)	(10,025)
<i>Contra-Labor to TNMIP</i>	-	(4,984)	(13,777)	(19,274)	-
<i>Subtotal - Labor &amp; Benefits</i>	49,065	49,751	51,838	58,195	67,541
<i>Support Allocations - Nodal Program</i>	-	(1,673)	-	(1,673)	-
<i>Backfill Allocations - Nodal Program</i>	-	(371)	-	(1,645)	-
<i>Facilities Allocations - Nodal Program</i>	-	(153)	-	(2,500)	-
<i>Subtotal - Allocations - Nodal Program</i>	-	(2,196)	-	(5,818)	-
<i>Tools, Equipment, &amp;Supplies</i>	1,166	1,093	1,206	1,127	1,147
<i>Hardware &amp; Software Expenses</i>	7,196	7,740	9,372	9,304	11,804
<i>Outside Services</i>	7,417	9,104	9,372	12,396	8,818
<i>Special Audits</i>	1,752	575	-	-	-
<i>Utilities, Maintenance &amp; Facilities</i>	6,591	6,940	7,243	7,543	7,967
<i>Employee Expenses</i>	1,396	1,260	1,935	2,083	1,897
<i>Insurance</i>	1,699	1,677	1,758	2,250	2,465
<i>Property Taxes</i>	1,016	998	1,116	1,100	1,250
<i>NERC Dues</i>	925	965	968	-	-
<i>Other</i>	2,044	3,018	1,150	1,346	1,313
<i>Subtotal - O&amp;M Expenses</i>	80,267	80,923	85,958	89,525	104,200
Debt service - interest expense	9,189	7,632	8,031	7,905	8,155
Debt service - principal payments	26,137	26,137	26,137	26,137	26,137
Revenue-funded capital	10,880	19,458	12,000	10,680	16,000
Market Monitoring	-	600	1,650	1,750	1,700
Total Revenue Requirement	126,473	134,750	133,776	135,997	156,192
Less Other Revenue	2,050	5,795	2,567	2,642	2,642
Less Interest Income	250	2,200	789	800	800
Revenue Rqmt from System Admin Fee	\$ 124,173	\$ 126,755	\$ 130,420	\$ 132,555	\$ 152,750
GWh	298,782	304,374	312,680	317,789	324,975
% GWh Growth	3.6%	1.9%	2.7%	1.6%	2.3%
<b>ERCOT System Administration Fee</b>	<b>\$ 0.42</b>	<b>\$ 0.4164</b>	<b>\$ 0.4171</b>	<b>\$ 0.4171</b>	<b>\$ 0.4700</b>
Capital Spending - Revenue Funded	10,880	19,458	12,000	10,680	16,000
Capital Spending - % Revenue Funded	66%	56%	27%	40%	40%
Capital Spending - Debt Funded	5,485	15,007	31,960	16,020	24,000
Capital Spending - % Debt Funded	34%	44%	73%	60%	60%
Total Project Spending	16,365	34,465	43,960	26,700	40,000
Total ERCOT Spending Authorization	131,958	149,757	165,736	152,017	180,192

# 2008 Budget Development

## Summary of Estimated Income Sources

Description	Protocols Reference	Calculation/Rate/Comment	2008 Budget	
			Amount	Percentage
ERCOT system administration fee	9.7.1	\$0.4171 per MWh	\$ 132,554,620	98.0%
Private wide-area network fees	9.7.6	Recovery of budgeted costs. Actual cost of using third party communications network, initial equipment installation cost not to exceed \$18,000, and monthly network management fee not to exceed \$865.	1,850,000	1.0%
Non-ERCOT load serving entity fee	9.7.3	\$1.15 per ESI ID per year	125,000	0.0%
Interest income	NA	Computed based on assumed bank rates and deposit balances	800,000	1.0%
Membership dues	NA	\$2,000 for corporate members and \$500 for associate and adjunct members	250,000	0.0%
Generation interconnection study fees	NA	Security screening study fee (\$1,000 - \$5,000) Stability software modeling fee (\$15 per MW of capacity)	400,000	0.0%
Map sale fees	NA	\$20 - \$40 per map request	1,000	0.0%
Qualified scheduling entity application fee	9.7.5	\$500 per entity	7,500	0.0%
Competitive retailer application fee	9.7.5	\$500 per entity	7,500	0.0%
Mismatched schedule processing fee	9.7.4	\$1 per mismatched event	1,000	0.0%
Voluminous copy fee	NA	\$0.15 per page in excess of 50 pages	-	0.0%
Late fees	9.4.6	Wall Street Journal prime interest rate plus two (2) percent	-	0.0%
Total			<u>\$ 135,996,620</u>	100.0%

**Note:**

In addition to the items listed above, ERCOT collects a Nodal market surcharge and the Texas Regional Entity fee. Revenue from these sources are utilized to the development and implementation of the Nodal market and NERC statutory functions.



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Dept	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 YTD Actual (5.31.07)	FY 2008 Requested	FY 2009 Requested	2007 Budget vs. 2008 Requested		2008 Requested vs. 2009 Requested	
							\$ Variance	% Variance	\$ Variance	% Variance
<b>ERCOT</b>										
<i>Labor &amp; Benefits</i>	54,239,050	59,131,229	72,988,269	27,691,201	82,207,068	77,565,202	9,218,799	12.6%	(4,641,865)	-5.6%
<i>Labor for Capital Projects</i>	(5,174,167)	(4,395,648)	(7,373,639)	(1,222,658)	(4,737,915)	(10,024,600)	2,635,724	-35.7%	(5,286,685)	111.6%
<i>Labor for Nodal</i>	-	(4,984,423)	(13,776,690)	(4,183,967)	(19,274,028)	-	(5,497,338)	39.9%	19,274,028	-100.0%
<i>Subtotal - Labor &amp; Benefits</i>	49,064,883	49,751,158	51,837,940	22,284,576	58,195,125	67,540,602	6,357,185	12.3%	9,345,477	16.1%
<i>Support Allocations - Nodal Program</i>	-	(1,673,237)	-	(1,684,254)	(1,673,212)	-	(1,673,212)	NA	1,673,212	-100.0%
<i>Backfill Allocations - Nodal Program</i>	-	(370,684)	-	(418,086)	(1,645,000)	-	(1,645,000)	NA	1,645,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	-	(152,572)	-	(755,299)	(2,500,000)	-	(2,500,000)	NA	2,500,000	-100.0%
<i>Subtotal - Allocations - Nodal Program</i>	-	(2,196,493)	-	(2,857,638)	(5,818,212)	-	(5,818,212)	NA	5,818,212	-100.0%
<i>Material, Supplies, Tools &amp; Equipment</i>	1,165,662	1,092,541	1,206,480	457,460	1,126,660	1,146,745	(79,820)	-6.6%	20,085	1.8%
<i>Special Reviews</i>	1,751,528	575,026	-	(43,472)	-	-	-	NA	-	NA
<i>Outside Services</i>	7,417,285	9,703,961	11,022,052	3,947,475	14,145,689	10,517,989	3,123,637	28.3%	(3,627,700)	-25.6%
<i>Utilities, Maintenance &amp; Facilities</i>	6,591,288	6,939,517	7,242,627	2,417,691	7,542,650	7,966,613	300,023	4.1%	423,963	5.6%
<i>HW/SW License and Maintenance</i>	7,196,208	7,740,247	9,371,689	3,812,420	9,303,714	11,803,714	(67,975)	-0.7%	2,500,000	26.9%
<i>Insurance</i>	1,698,946	1,676,549	1,758,229	689,633	2,250,000	2,465,000	491,771	28.0%	215,000	9.6%
<i>Employee Expenses</i>	1,396,360	1,259,905	1,935,300	417,050	2,083,109	1,896,779	147,809	7.6%	(186,331)	-8.9%
<i>Interest &amp; Fees</i>	9,188,943	7,631,714	8,031,400	2,312,237	7,904,525	8,154,525	(126,875)	-1.6%	250,000	3.2%
<i>Property Taxes</i>	1,016,255	997,716	1,116,000	423,926	1,100,000	1,250,000	(16,000)	-1.4%	150,000	13.6%
<i>NERC Dues</i>	924,960	964,808	967,533	400,613	-	-	(967,533)	-100.0%	-	NA
<i>Other</i>	2,043,695	3,018,129	1,150,150	235,524	1,346,360	1,313,019	196,210	17.1%	(33,341)	-2.5%
<b>Total - ERCOT</b>	<b>89,456,013</b>	<b>89,154,777</b>	<b>95,639,400</b>	<b>34,497,632</b>	<b>99,179,620</b>	<b>114,054,986</b>	<b>3,540,220</b>	<b>3.7%</b>	<b>14,875,366</b>	<b>15.0%</b>

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Dept	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 YTD Actual (5.31.07)	FY 2008 Requested	FY 2009 Requested	2007 Budget vs. 2008 Requested		2008 Requested vs. 2009 Requested	
							\$ Variance	% Variance	\$ Variance	% Variance
<b>Corporate Administration</b>										
<i>Labor &amp; Benefits</i>	11,620,276	11,049,982	10,527,739	5,083,854	13,308,307	15,558,841	2,780,569	26.4%	2,250,533	16.9%
<i>Labor for Capital Projects</i>	(555,976)	39,685	(757,120)	(36,592)	(817,453)	(1,103,223)	(60,333)	8.0%	(285,770)	35.0%
<i>Labor for Nodal</i>	-	(268,250)	(1,601,910)	(200,117)	(491,869)	-	1,110,041	-69.3%	491,869	-100.0%
<i>Subtotal - Labor &amp; Benefits</i>	11,064,301	10,821,418	8,168,709	4,847,144	11,998,986	14,455,617	3,830,277	46.9%	2,456,632	20.5%
<i>Support Allocations - Nodal Program</i>	-	(1,039,174)	-	(1,048,838)	(1,192,212)	-	(1,192,212)	NA	1,192,212	-100.0%
<i>Backfill Allocations - Nodal Program</i>	-	(21,885)	-	(12,875)	(100,000)	-	(100,000)	NA	100,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	-	(120,484)	-	(439,830)	(1,500,000)	-	(1,500,000)	NA	1,500,000	-100.0%
<i>Subtotal - Allocations - Nodal Program</i>	-	(1,181,543)	-	(1,501,543)	(2,792,212)	-	(2,792,212)	NA	2,792,212	-100.0%
<i>Material, Supplies, Tools &amp; Equipment</i>	571,913	652,371	591,950	343,588	751,355	768,995	159,405	26.9%	17,640	2.3%
<i>Special Reviews</i>	1,751,528	575,026	-	(43,472)	-	-	-	NA	-	NA
<i>Outside Services</i>	5,390,383	5,756,207	4,312,300	1,348,169	4,398,593	4,226,415	86,293	2.0%	(172,178)	-3.9%
<i>Utilities, Maintenance &amp; Facilities</i>	3,687,768	3,526,880	4,037,775	1,430,859	4,255,000	4,424,945	217,225	5.4%	169,945	4.0%
<i>HW/SW License and Maintenance</i>	33,666	104,181	-	99,174	-	-	-	NA	-	NA
<i>Insurance</i>	1,698,946	1,676,549	1,758,229	689,633	2,250,000	2,465,000	491,771	28.0%	215,000	9.6%
<i>Employee Expenses</i>	300,032	287,613	428,700	108,723	411,095	373,659	(17,605)	-4.1%	(37,437)	-9.1%
<i>Interest &amp; Fees</i>	9,188,943	7,631,714	8,031,400	2,312,237	7,904,525	8,154,525	(126,875)	-1.6%	250,000	3.2%
<i>Property Taxes</i>	1,016,255	997,716	1,116,000	423,926	1,100,000	1,250,000	(16,000)	-1.4%	150,000	13.6%
<i>NERC Dues</i>	924,960	964,808	-	-	-	-	-	NA	-	NA
<i>Other</i>	1,586,597	2,354,972	810,700	124,117	780,710	735,256	(29,990)	-3.7%	(45,454)	-5.8%
<b>Total - Corporate Administration</b>	<b>37,215,292</b>	<b>34,167,912</b>	<b>29,255,763</b>	<b>10,182,691</b>	<b>31,058,051</b>	<b>36,854,411</b>	<b>1,802,289</b>	<b>6.2%</b>	<b>5,796,360</b>	<b>18.7%</b>

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Dept	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 YTD Actual (5.31.07)	FY 2008 Requested	FY 2009 Requested	2007 Budget vs. 2008 Requested		2008 Requested vs. 2009 Requested	
							\$	%	\$	%
							Variance	Variance	Variance	Variance
<b>System Operations</b>										
<i>Labor &amp; Benefits</i>	15,202,794	16,478,797	20,943,680	7,925,631	24,053,588	21,346,936	3,109,909	14.8%	(2,706,652)	-11.3%
<i>Labor for Capital Projects</i>	(234,302)	(377,686)	(492,128)	(159,603)	(210,574)	(358,449)	281,554	-57.2%	(147,875)	70.2%
<i>Labor for Nodal</i>	-	(1,334,609)	(2,923,632)	(952,159)	(5,345,190)	-	(2,421,558)	82.8%	5,345,190	-100.0%
<i>Subtotal - Labor &amp; Benefits</i>	14,968,492	14,766,502	17,527,920	6,813,869	18,497,824	20,988,487	969,904	5.5%	2,490,664	13.5%
<i>Support Allocations - Nodal Program</i>	-	(258,437)	-	(257,911)	(296,000)	-	(296,000)	NA	296,000	-100.0%
<i>Backfill Allocations - Nodal Program</i>	-	(532)	-	-	-	-	-	NA	-	NA
<i>Facilities Allocations - Nodal Program</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Subtotal - Allocations - Nodal Program</i>	-	(258,969)	-	(257,911)	(296,000)	-	(296,000)	NA	296,000	-100.0%
<i>Material, Supplies, Tools &amp; Equipment</i>	30,358	43,425	51,600	7,277	17,450	17,974	(34,150)	-66.2%	524	3.0%
<i>Special Reviews</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Outside Services</i>	469,073	1,072,112	2,662,000	1,045,282	3,748,474	2,537,806	1,086,474	40.8%	(1,210,668)	-32.3%
<i>Utilities, Maintenance &amp; Facilities</i>	3,789	100,000	-	(100,000)	-	-	-	NA	-	NA
<i>HW/SW License and Maintenance</i>	6,498	742	-	-	-	-	-	NA	-	NA
<i>Insurance</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Employee Expenses</i>	305,218	345,763	502,200	114,456	600,812	572,148	98,612	19.6%	(28,664)	-4.8%
<i>Interest &amp; Fees</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Property Taxes</i>	-	-	-	-	-	-	-	NA	-	NA
<i>NERC Dues</i>	-	-	967,533	400,613	-	-	(967,533)	-100.0%	-	NA
<i>Other</i>	164,194	226,469	66,700	58,438	253,000	260,590	186,300	279.3%	7,590	3.0%
<b>Total - System Operations</b>	<b>15,947,623</b>	<b>16,296,044</b>	<b>21,777,953</b>	<b>8,082,023</b>	<b>22,821,559</b>	<b>24,377,005</b>	<b>1,043,607</b>	<b>4.8%</b>	<b>1,555,446</b>	<b>6.8%</b>

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Dept	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 YTD Actual (5.31.07)	FY 2008 Requested	FY 2009 Requested	2007 Budget vs. 2008 Requested		2008 Requested vs. 2009 Requested	
							\$ Variance	% Variance	\$ Variance	% Variance
<b>Market Operations</b>										
<i>Labor &amp; Benefits</i>	12,250,039	13,504,416	17,746,261	6,117,041	18,177,283	17,039,697	431,022	2.4%	(1,137,586)	-6.3%
<i>Labor for Capital Projects</i>	(839,763)	(1,350,328)	(2,261,896)	(538,006)	(2,446,444)	(4,000,906)	(184,548)	8.2%	(1,554,462)	63.5%
<i>Labor for Nodal</i>	-	(1,155,163)	(3,584,492)	(1,069,243)	(4,582,031)	-	(997,539)	27.8%	4,582,031	-100.0%
Subtotal - Labor & Benefits	11,410,276	10,998,926	11,899,873	4,509,791	11,148,808	13,038,791	(751,065)	-6.3%	1,889,983	17.0%
<i>Support Allocations - Nodal Program</i>	-	(309,998)	-	(312,010)	(110,000)	-	(110,000)	NA	110,000	-100.0%
<i>Backfill Allocations - Nodal Program</i>	-	(302,402)	-	(260,104)	(1,100,000)	-	(1,100,000)	NA	1,100,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	-	(32,088)	-	(18,496)	-	-	-	NA	-	NA
Subtotal - Allocations - Nodal Program	-	(644,488)	-	(590,610)	(1,210,000)	-	(1,210,000)	NA	1,210,000	-100.0%
<i>Material, Supplies, Tools &amp; Equipment</i>	8,310	28,088	14,400	5,289	14,050	14,472	(350)	-2.4%	422	3.0%
<i>Special Reviews</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Outside Services</i>	1,091,463	1,830,583	2,032,272	748,170	3,221,792	2,103,392	1,189,520	58.5%	(1,118,400)	-34.7%
<i>Utilities, Maintenance &amp; Facilities</i>	23,024	29,497	37,200	14,877	40,600	41,818	3,400	9.1%	1,218	3.0%
<i>HW/SW License and Maintenance</i>	6,697	401	-	9,422	-	-	-	NA	-	NA
<i>Insurance</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Employee Expenses</i>	250,973	229,203	440,100	86,872	461,002	427,172	20,902	4.7%	(33,830)	-7.3%
<i>Interest &amp; Fees</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Property Taxes</i>	-	-	-	-	-	-	-	NA	-	NA
<i>NERC Dues</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Other</i>	125,384	106,941	152,550	33,188	164,100	169,023	11,550	7.6%	4,923	3.0%
<b>Total - Market Operations</b>	<b>12,916,127</b>	<b>12,579,152</b>	<b>14,576,395</b>	<b>4,816,998</b>	<b>13,840,352</b>	<b>15,794,668</b>	<b>(736,043)</b>	<b>-5.0%</b>	<b>1,954,316</b>	<b>14.1%</b>

# 2008 Budget Development

Dept	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 YTD Actual (5.31.07)	FY 2008 Requested	FY 2009 Requested	2007 Budget vs. 2008 Requested		2008 Requested vs. 2009 Requested	
							\$ Variance	% Variance	\$ Variance	% Variance
<b>Information Technology</b>										
<i>Labor &amp; Benefits</i>	15,165,941	18,098,033	23,770,590	8,564,676	26,667,889	23,619,728	2,897,299	12.2%	(3,048,161)	-11.4%
<i>Labor for Capital Projects</i>	(3,544,127)	(2,707,319)	(3,862,495)	(488,456)	(1,263,444)	(4,562,022)	2,599,051	-67.3%	(3,298,578)	261.1%
<i>Labor for Nodal</i>	-	(2,226,402)	(5,666,656)	(1,962,447)	(8,854,938)	-	(3,188,282)	56.3%	8,854,938	-100.0%
Subtotal - Labor & Benefits	11,621,814	13,164,312	14,241,439	6,113,773	16,549,507	19,057,706	2,308,068	16.2%	2,508,199	15.2%
<i>Support Allocations - Nodal Program</i>	-	(65,628)	-	(65,495)	(75,000)	-	(75,000)	NA	75,000	-100.0%
<i>Backfill Allocations - Nodal Program</i>	-	(45,866)	-	(145,106)	(445,000)	-	(445,000)	NA	445,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	-	-	-	(296,973)	(1,000,000)	-	(1,000,000)	NA	1,000,000	-100.0%
Subtotal - Allocations - Nodal Program	-	(111,494)	-	(507,574)	(1,520,000)	-	(1,520,000)	NA	1,520,000	-100.0%
<i>Material, Supplies, Tools &amp; Equipment</i>	555,081	368,657	548,530	101,307	343,805	345,305	(204,725)	-37.3%	1,500	0.4%
<i>Special Reviews</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Outside Services</i>	466,365	1,045,059	2,015,480	805,855	2,776,830	1,650,376	761,350	37.8%	(1,126,454)	-40.6%
<i>Utilities, Maintenance &amp; Facilities</i>	2,876,707	3,283,139	3,167,652	1,071,955	3,247,050	3,499,850	79,398	2.5%	252,800	7.8%
<i>HW/SW License and Maintenance</i>	7,149,347	7,634,923	9,371,689	3,703,823	9,303,714	11,803,714	(67,975)	-0.7%	2,500,000	26.9%
<i>Insurance</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Employee Expenses</i>	540,138	397,326	564,300	107,000	610,200	523,800	45,900	8.1%	(86,400)	-14.2%
<i>Depreciation &amp; Amortization</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Interest &amp; Fees</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Property Taxes</i>	-	-	-	-	-	-	-	NA	-	NA
<i>NERC Dues</i>	-	-	-	-	-	-	-	NA	-	NA
<i>Other</i>	167,519	329,747	120,200	19,780	148,550	148,150	28,350	23.6%	(400)	-0.3%
<b>Total - Information Technology</b>	<b>23,376,971</b>	<b>26,111,669</b>	<b>30,029,290</b>	<b>11,415,919</b>	<b>31,459,657</b>	<b>37,028,901</b>	<b>1,430,367</b>	<b>4.8%</b>	<b>5,569,245</b>	<b>17.7%</b>

# 2008 Budget Development

	<b>Funding</b>		<b>Full Time Equivalency</b>	
	<b>FY 2008 Requested</b>	<b>FY 2009 Requested</b>	<b>FY 2008 Requested</b>	<b>FY 2009 Requested</b>
<b>ERCOT</b>				
<i>Base Operations</i>	82,207,068	77,565,202	524	558
<i>Zonal Projects</i>	(4,737,915)	(10,024,600)	40	85
<i>Nodal Program</i>	(19,274,028)	-	163	-
<i>Labor &amp; Benefits Total</i>	58,195,125	67,540,602	727	643

# 2008 Budget Development

Date	Task	Status
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 &amp; request for public comment)</i>	√
Friday, June 1	Budget Kick-off Meeting Instructions & Templates Distributed	√
Monday, June 18 - Wednesday, June 20	Departmental Submittals reviewed by Directors/Divisional VPs	√
Wednesday, June 20	Submit Departmental Budget Request	√
Wednesday, June 20 - Friday, June 22	Calculate & Compile DRAFT Categorical Budget (Budget staff)	√
Tuesday, June 19	Finance & Audit Committee Agenda - Budget/PPL Status Update	√
Monday, June 25 - Friday, June 29	Preliminary Budget Review by Office-- VP/Director/Manager Budget Revisions (as necessary)	√
Friday, June 29	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	PUCT Staff - Assumption & Timeline Discussion	√
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 &amp; Audit Committee Meeting)</i>	
Wednesday, July 18 - Tuesday, July 31	PUCT Staff Review	
Tuesday, Aug. 7	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 & 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

