

- **Preparation of the 2009 budget will soon commence**
  - Earlier than normal
  - Target to complete regulatory approval process before January 1, 2009
  - Board member involvement is essential
- **Key dates**
  - February 19 → provide input on budget assumptions
  - March 18 → preliminary 2009 budget review by the Finance & Audit Committee members
  - April 3 → special meeting of the Finance & Audit Committee to review the updated, preliminary budget
  - April 15 → Board review of the 2009 budget recommended by the Finance & Audit Committee members
  - May 20 → Board approval of the 2009 budget anticipated

- **Seeking confirmation of significant assumptions before launching budget preparation process**
  - Cost-consciousness is key and ERCOT's ultimate constituency is the electric consumer
  - Provide staffing, facilities, and systems necessary to satisfy responsibilities under
    - SB 7
    - ERCOT protocols
    - Key performance indicators adopted by the Board
    - Reliability and operational compliance standards and guides
    - Service level commitments to the market
  - Implement and operate a nodal market
  - Collect and remit the ERO fee for the ERCOT region

- **Seeking confirmation of significant assumptions before launching budget preparation process**
  - Implement projects as determined and prioritized by the market
    - Project funding at 40 percent equity and 60 percent debt
    - Repay borrowed funds over the average useful lives of assets acquired or constructed
    - Recover the cost of investment in projects from expected future beneficiaries
  - Protect and maintain investments in facilities and systems
  - Continue market-based employee compensation strategy approved in 2006

- **Several new financial issues confront ERCOT and will impact future fees**
  - Nodal market
    - Approval of an updated Nodal Program budget
    - Completion of a comprehensive analysis of staffing requirements in a nodal market
      - Information provided to R. W. Beck to assist them in preparing an independent assessment
    - Updated evaluation of support and maintenance costs relating to technology assets acquired in connection with the Nodal Program
  - Data center capacity constraints
  - Expiration of Met Center lease

# 2009 Budget Preparation Preview and Assumptions

- If past policy decisions and strategic direction are assumed to be continued in the 2009 budget preparation process, preliminary high level analysis suggests significant upward pressure on existing fees.
- Issues will be fully explored and solidified as managers begin their involvement in preparing ERCOT's 2009 budget

