

2009 Texas Regional Entity Preliminary Budget Overview

Finance & Audit Committee
April 15, 2008

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Purpose of Today's Meeting

- **Review budget development schedule and timeline**
- **Discuss budget assumptions**
- **Review preliminary budget**
- **Obtain feedback from F & A Committee**
- **Obtain decision on whether special F & A Committee meeting needed on May 1st**
- **No budget decision needed today**
- **Bruce Walenczyk (NERC CFO) will address full Board (NERC's budget update)**

2009 Texas RE Budget Development Schedule

- **April 15 – Review Preliminary Draft of 2009 Budget at F&A Committee**
- **May 1 – F&A Committee Special Meeting (if necessary)**
- **May 9 – Draft #1 of Business Plan & Budget (BP&B) due to NERC**
- **May 20 – F&A Committee & Board Discussion of Draft #1 of BP&B**
- **May 21 – Open Meeting Presentation of Proposed Texas RE BP&B**
- **May 30 – Draft #2 of BP&B due to NERC**
- **June 17 – Final Budget Approval Required by Texas RE Board**
- **July 9 – Final Texas RE Board-Approved BP&B due to NERC**

Texas RE Overarching Budget Goals - Summary

- **2009 will be the 2nd full year of operations for Texas RE.**
- **The budget process ensured that all of the functions were appropriately budgeted to:**
 - Discharge all of the NERC Delegation Agreement requirements.
 - Continue monitoring & reporting on protocol compliance and non-compliance.
 - Ensure Texas RE continues to improve its processes by utilizing technology to enhance its operations.
 - Guarantee Texas RE has appropriate cash on hand.

Texas RE - Executive Summary

- Statutory budget is increasing 42% ↑
- Non-Statutory budget is decreasing 7% ↓
- Salary & related expense is increasing 27% ↑
- Travel is increasing 21% ↑
- Professional services and computer, purchases & maintenance for technology improvements is increasing 19% ↑
- The estimated funding requirement for the statutory budget is:

2009 Budget	\$5,370,979
LESS Estimated Surplus Funds	(<u>2,023,700</u>)
Net Funding for 2009	\$3,347,279
Net Funding per MWH	\$.0107

2009 Budget-Statutory - Summary

- **Personnel Expenses ~ \$915K ↑ 40%**
 - Increase associated with adding 5 staff (detailed under personnel increase section).
 - Salary Expense \$423K, Benefits Expense \$140K.
 - 5% merit/promotion and 5% market adjustment increases for existing staff.
 - Salary Expense \$187K, Benefits Expense \$61K.
 - Shift of \$104K from Non-Statutory to Statutory.
- **Travel ~ \$21K ↑ 24%**
 - Increasing due to additional business-related travel; anticipated increased number of Regional Entity, NERC, and FERC related travel.
- **Facilities, Consumables & Outside Services ~ \$175K ↑ 17%**
 - Rent Expense – Support Allocation (ERCOT ISO) – \$61K.
 - Professional services and computer, purchases & maintenance for technology improvements; website maintenance and upgrades, data management and compliance related projects – \$94K.
 - Staff training was added to the budget for 2009 that enables employees to attend developmental training – \$10K.
 - Office Costs increasing \$4K for postage, FedEx and Supplies.
 - Other expenses (professional dues) increasing – \$5K.
- **Non-Operating Expenses ~ \$505K ↑ 193%**
 - Required Cash Reserve constitutes \$768K.

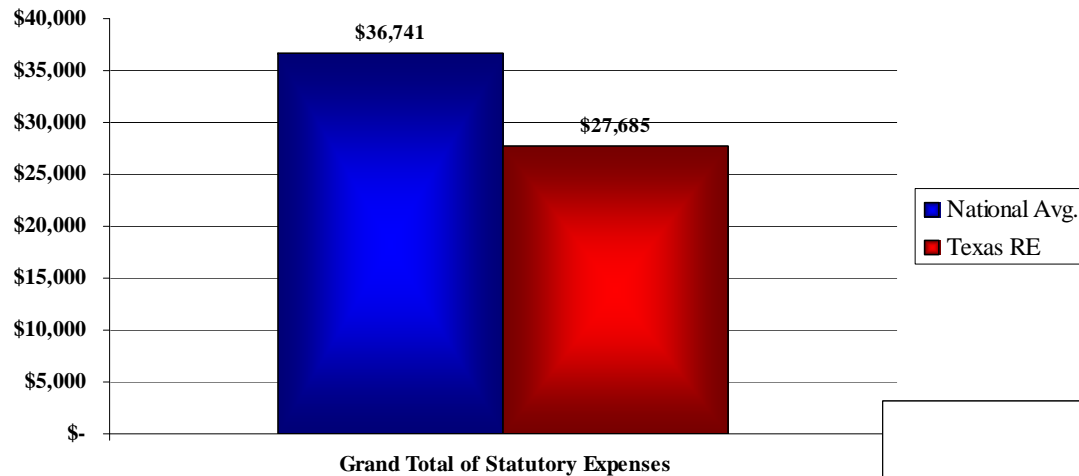
2009 Budget–Non-Statutory - Summary

- **Personnel Expenses ~ (\$104K) ↓ 17%**
 - Shift of \$104K from Non-Statutory to Statutory.
- **Travel ~ (\$2K) ↓ 47%**
 - Texas RE is planning on only 1 protocol audit for a non-registered entity.
- **Facilities, Consumables & Outside Services ~ \$52K ↑ 38%**
 - Rent Expense – Support Allocation (ERCOT ISO) – (\$6K).
 - Non-Statutory contingency reserve added totaling – \$30K.
 - Professional services, legal and computer, purchases & maintenance for technology improvements; website maintenance and upgrades, data management and compliance related projects – \$28K.
- **In total, Non-Statutory spending is expected to be reduced a total of 7% ↓**

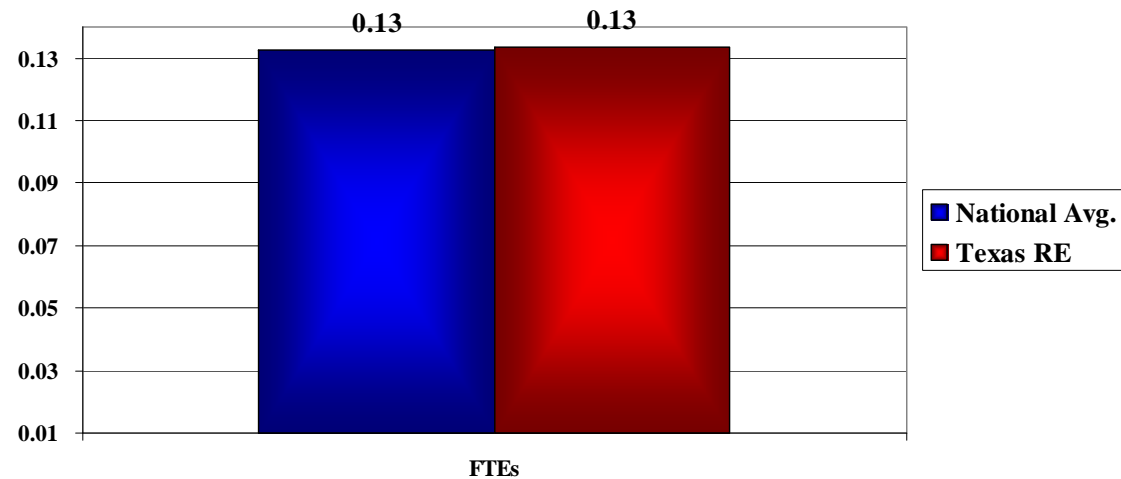
2009 Budget – Cost & FTEs / Registered Entity

Statutory Cost Per Registered Entity:

Texas RE (2009 Budget) vs. National Average (based on 2008)

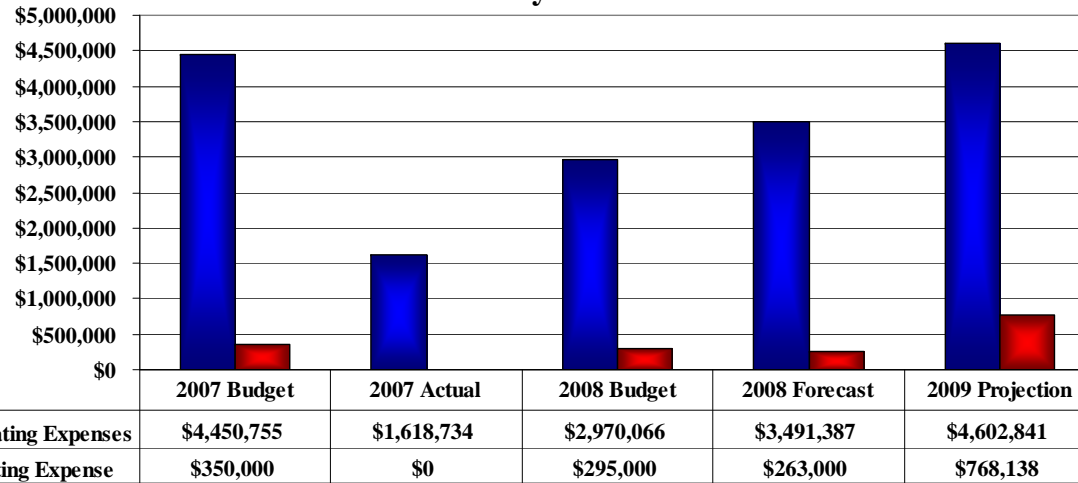


Statutory FTEs Per Registered Entity: Texas RE (2009 Budget) vs. National Average (2008 Budget)

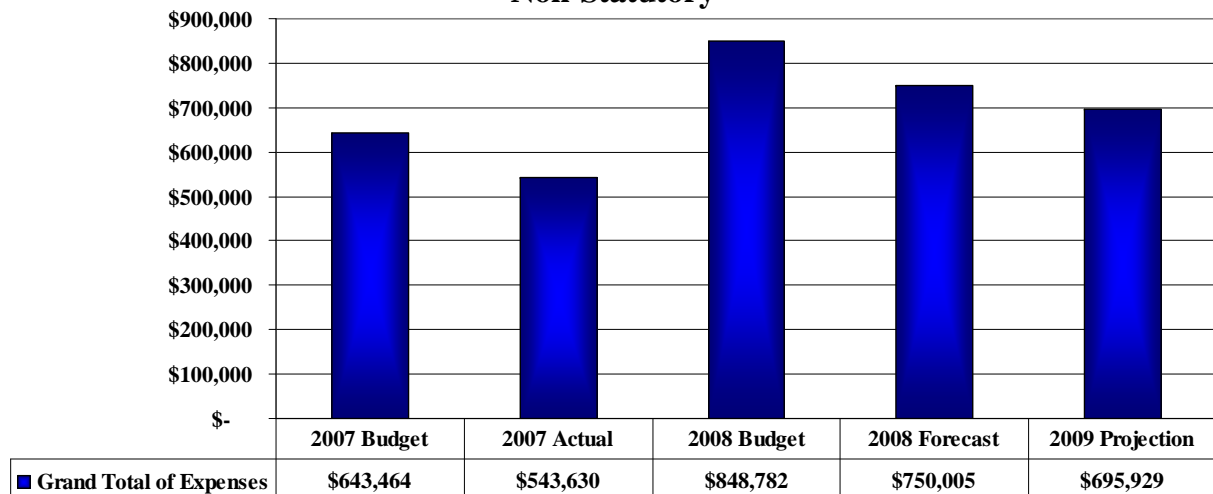


2009 Budget-Statutory & Non-Statutory Budget

**Texas RE Financial Trends
Statutory**

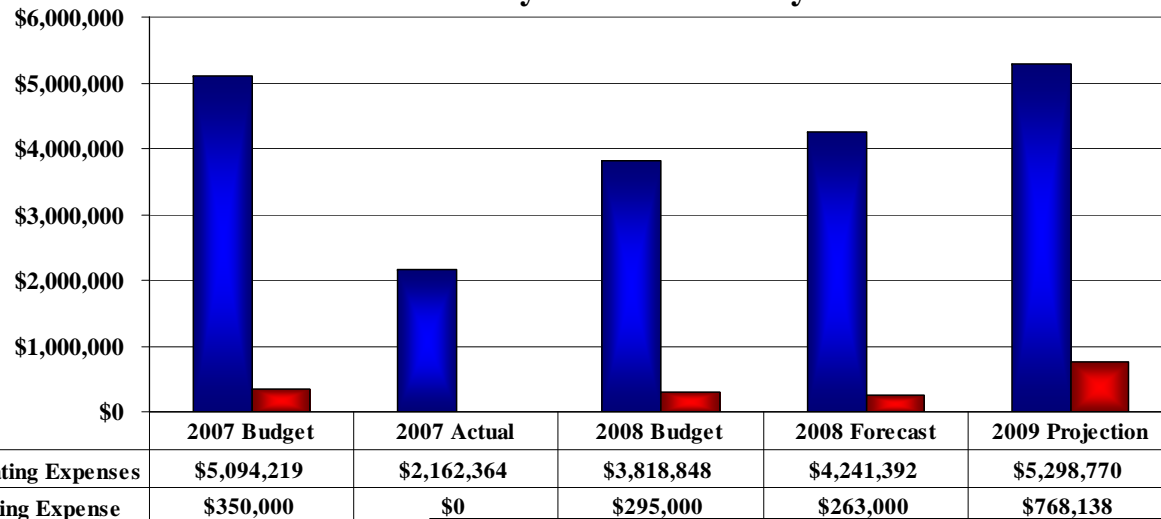


**Texas RE Financial Trends
Non-Statutory**

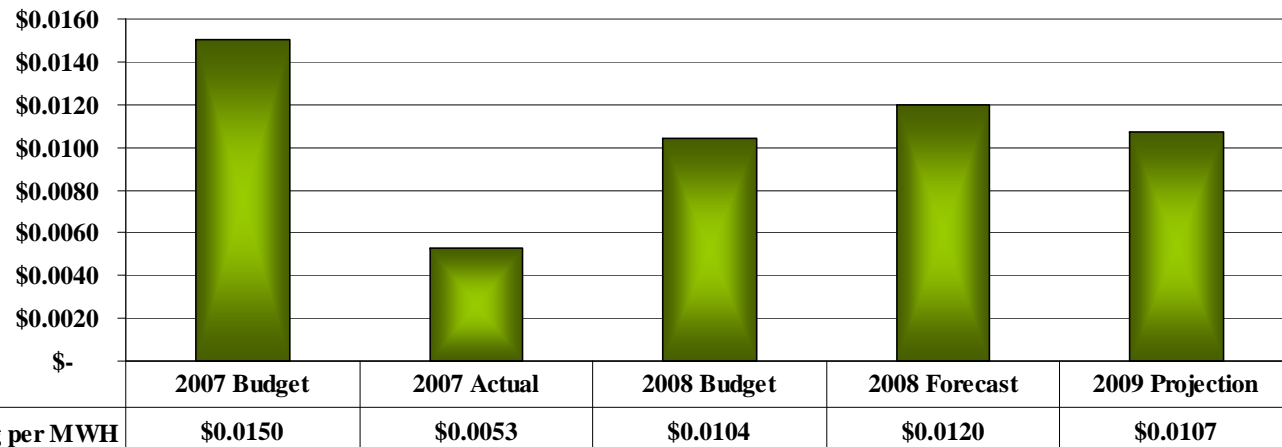


2009 Budget-Statutory & Non-Statutory

Texas RE Financial Trends
Combined Statutory & Non-Statutory



Statutory Funding per MWH



2009 Budget Assumptions

- **Texas RE will remain functionally separate from ERCOT ISO and will continue to receive administrative service and projects support billed through a Memorandum of Understanding (MOU).**
- **Establishment of a 60 day cash reserve, per NERC guidance.**
 - The reserve is to be treated as a non-operating expense item for purposes of budgeting, but will ensure that Texas RE has sufficient cash on hand.
- **Labor expense and allocations for Statutory (Federal) functions and Non-Statutory (Protocol) functions were projected based on current time-tracking and expected trends.**
- **Increased Statutory Compliance labor required:**
 - Additional and longer audits required, due to increased number of FERC-approved Reliability Standards and increased number of Registered Entities.
 - Increased emphasis on situational awareness and cyber-security.
- **Increase in Legal and Regulatory (increase in contested matters and required communications with NERC, FERC, and PUCT).**
- **Invest in technology improvements and process automation .**

2009 Budget Assumptions (cont.)

- **Non-statutory requirements will not increase.**
 - Efficiencies experienced on QSE audits, due to statutory audits and statutory event analysis.
 - Projected allocation to the Non-Statutory function is reduced to approximately 15% of the total budget.
- **Increase in labor costs 27% for 2009 (Headcount increasing 20%):**
 - Tight labor market for experienced Electrical Engineers with Electric Power Systems experience is driving salary up.
 - Merit increase of 3% and promotion increase of 2% assumed (consistent with ERCOT ISO assumptions).
 - Additional 5% increase for market adjustment to bring salaries in-line with industry standard.
 - Employee Benefits budget at 33% of salary (per ERCOT ISO assumption).
- **Surplus funds from prior years (2007 & 2008) are expected to offset 2009 funding requirements (balance remaining is forecast to be \$2.0M).**
- **Texas RE Staff will remain at the Met Center, but will require more space.**

5 Additional Headcount for Texas RE

- **2 FTEs for Compliance Function**
 - There is a GAP between the number of required hours to complete work and the number of hours available from existing staff.
- **1 FTE – CIP Engineer/Analyst – a NERC required position to support situation awareness and infrastructure security**
 - Texas RE expected to provide outreach and support to entities.
 - Position will help implement NERC's Situation Awareness Tool & Prepare Critical Infrastructure Plan.
- **1 FTE – Sr. Content Specialist (IT) – this position will assist the IT manager with maintenance on the new tools being implemented**
 - Web site maintenance & content management.
 - Data Management System & portal administration.
- **1 FTE – Legal Counsel – this position will assist the Director of Legal Affairs to manage the legal function**
 - Position is intended to reduce the need for the significant additional outside legal expense for appeals of confirmed violations anticipated for 2009 (other legal and regulatory work is not anticipated to decrease) .
 - The additional attorney will be hired only if and when reduction of outside legal will more than offset the cost .
 - Current (1st Q) actual outside counsel expense trends to \$250,000 annually – prior to any appeals of confirmed violations.

Appendix

Combined Statutory & Non-Statutory – Detail

- **Combined Detail Budget** **Page 17**
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- **Support for 3 Other FTEs – Other Functional Areas** **Page 20**
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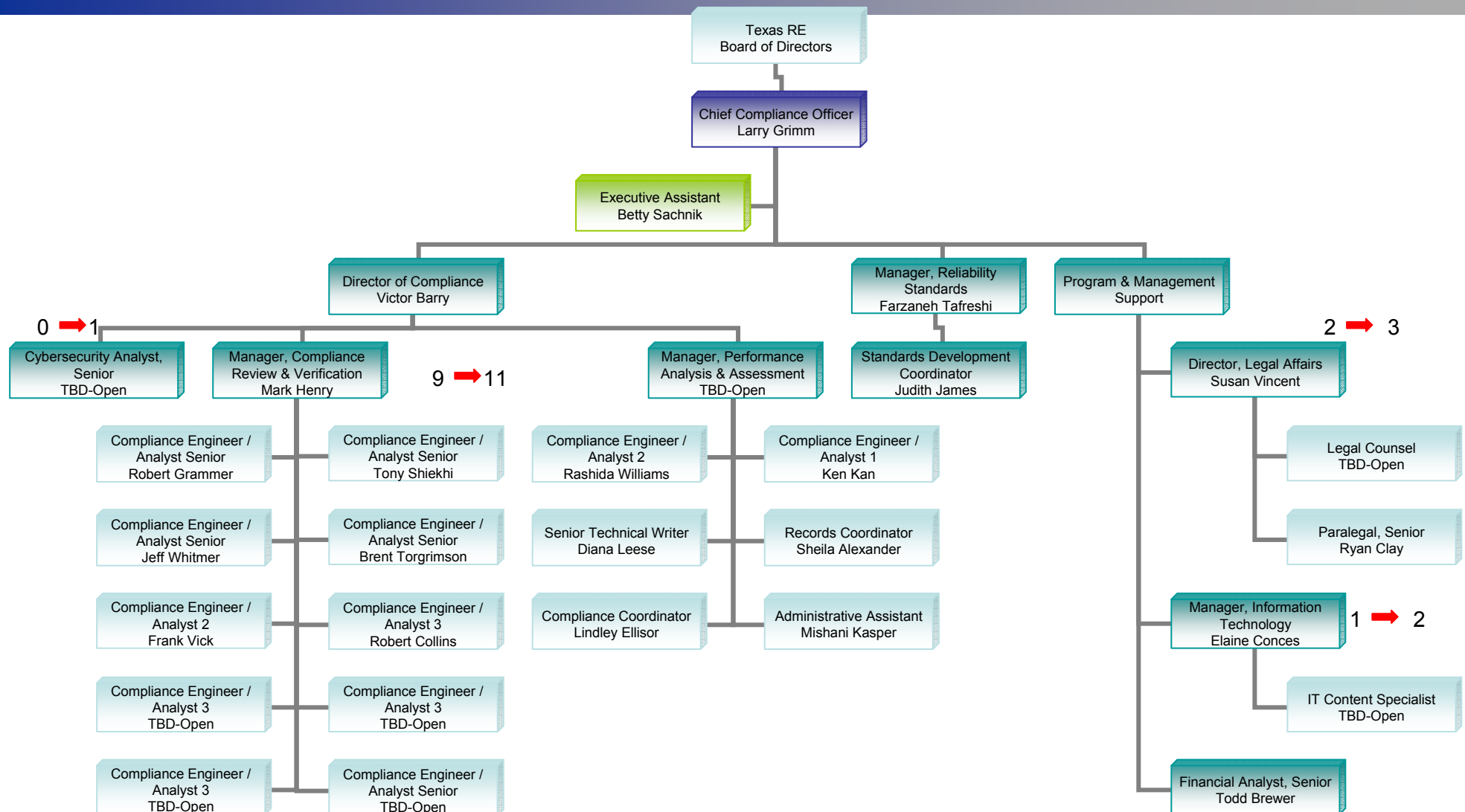
2009 Budget-Statutory & Non-Statutory

Texas Regional Entity

2009 Preliminary Budget Projection
Combined Statutory & Non-Statutory
April 15, 2008

	2007 Budget	2007 Actual	2008 Budget	2008 Forecast	2009 Projection	2008 Forecast vs. 2009 Projection	
						\$ Variance	% Variance
Expenses							
Labor & Benefits	2,689,836	1,502,867	2,960,473	2,927,233	3,738,046	810,813	27.7%
Meetings	1,000	0	43,240	34,734	35,000	266	0.8%
Travel	25,859	40,191	97,135	90,892	110,289	19,397	21.3%
Consumables, Facilities & Outside Services							
Rent & Improvements & Support Alloc.	99,000	135,907	247,000	224,022	279,188	55,166	24.6%
Professional Services & Consulting	347,000	243,000	338,000	424,504	440,650	16,146	3.8%
Office Costs	85,025	22,870	20,000	9,764	13,800	4,036	41.3%
Computer, Purchases & Maintenance	1,846,500	217,529	113,000	529,826	635,688	105,862	20.0%
Other	0	0	0	417	46,110	45,693	100.0%
Total Consumables, Facilities & Outside Services	2,377,524	619,306	718,000	1,188,533	1,415,435	226,902	19.1%
Total Operating Expense	\$ 5,094,219	\$ 2,162,364	\$ 3,818,848	\$ 4,241,392	\$ 5,298,770	\$ 1,057,378	24.9%
Non-Operating Expense	350,000	0	295,000	263,000	768,138	505,138	192.1%
Grand Total of Expenses	\$ 5,444,219	\$ 2,162,364	\$ 4,113,848	\$ 4,504,392	\$ 6,066,908	\$ 1,562,516	34.7%
Cost per MWH	\$ 0.0170	\$ 0.0071	\$ 0.0131	\$ 0.0144	\$ 0.0190	\$ 0.0047	

2009 Proposed Organization Chart



2 Additional Headcount for Compliance Functions

Average Total Hours Required To Conduct an Audit (Average 415 Hours)

**Pre-Audit Work per Audit:
135 Hours**

**Conducting the Audit:
85 Hours**

**Post-Audit Work:
195 Hours**

Pre-Audit Tasks include:

- o Assigning the Audit Team Members
- o Communicating with the Entity
- o Assembling the documentation to be audited
- o Ensure documentation is complete & follow-up
- o Audit team works on preliminary findings
- o Audit team determines sufficiency of data
- o Audit Team Prepares an on-site audit plan

Audit Tasks include:

- o 4-member team travel to site (if off-site)
- o Entrance meeting & briefing of expectations
- o NERC Standard Documentation Review & Discussion
- o ERCOT Operating Guide Documentation Review & Discussion
- o ERCOT Protocol Documentation Review & Discussion
- o Audit Team Conducts Interviews with Entity Staff
- o Audit team Review Meeting
- o Exit Interview/Meeting

Post Audit Tasks include:

- o Distribute Post Audit Findings to Entity
- o Report Possible Compliance Violations to Texas RE Management
- o Draft NERC Audit Report
- o Draft Protocol & Operating Guide Audit Report
- o Distribute Audit Reports to Texas RE Management
- o Distribute Audit Reports to Performance Analysis & Assessment
- o Distribute Final Report to Audited Entity and PUCT

Audits Expected to be Completed in 2009

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Work Required to be Performed	Hours
Pre-Audit Hours	5,670
Audit Hours	3,570
Post-Audit Hours	8,190
NERC Related Compliance Interactions/Work	2,325
Organization Registration & Certification	1,860
Spot Checks, Violations & Event Analysis	4,650
Total Hours Required	26,265
Hours Available (11.9 FTEs)	22,134
GAP in Labor Hours to be Filled	4,131
Hours Available for Work (1 FTE)	1,860
Additional FTEs Needed to Operate	2.2
FTE Budget Request for 2009	2.0

NOTE:

The benchmark data does not include significant compliance violations that jeopardize reliability. The benchmark is designed to include only a normal state of operation. If there were significant compliance events that jeopardize reliability, there would be a need to procure outside assistance in order to maintain current workflow.

3 Additional Headcount for Other Functions

3 Additional FTEs Requested for Texas RE

CIP Engineer Justification - 1 Additional FTE

Situation Awareness and Infrastructure Security activities continue to increase and addressing these initiatives is a very high priority for the FERC, NERC, and Regions. There is an expectation that the Regional Entities will participate in outreach activities to heighten awareness of Critical Infrastructure Protection (CIP) related initiatives. The CIP Engineer/Analyst is needed to implement NERC's situational awareness tool, work with NERC and the other Regions on the Situational Awareness Team, assist NERC in preparing the Critical Infrastructure Plan, and to assist Registered Entities in meeting the NERC time frames for auditable compliance with the CIP Standards.

In FERC's January 18, 2008 Order 706 approving the eight NERC CIP Reliability Standards (paragraphs 96-99), the FERC determined the need to know whether "industry, or segments of industry, are having difficulty implementing the CIP Reliability Standards". The FERC is therefore requiring more frequent, semi-annual, self-certifications prior to the date by which full compliance is required. FERC expects the Regional Entities to work with Registered Entities so that the entity achieves full compliance in a timely manner. This could include working with the entity informally or possibly requiring a remedial plan to assist the entity to achieve full compliance.

FERC indicated that if necessary, NERC and the Regional Entities should file a request for additional funding to supplement their FERC approved budgets. This will not be necessary for the Texas RE since there are available unused funds from 2007 that can be applied.

Sr. Content Specialist Long Description - 1 Additional FTE

Additional staff is required to provide IT support and maintenance for tools used to (1) disseminate information to market participants and (2) enable Texas RE staff to manage data and files. These tools include the public Web site; portal/compliance data tracking tool; reliability standards tracking tool; and internal document management system. The content specialist will assist the internal and external users with the use of the tools, including training, and assist the IT manager with the administration of the tools, including troubleshooting. Duties will include the following:

- Day-to-day support for website content owners and records administration (posting procedures, processes, audit materials, and other records in the document management system)
- Coordinates with the Texas RE staff to organize the Web site, portal, and document management system; identifies security needs, necessary programming needs, permissions, and access rights
- Coordinates and facilitates online publishing
- Creates and maintains workflow and publishing processes
- Ensures that the content (files and text) follow information standards (file and document naming conventions are followed, correct templates used) are consistently maintained throughout all toolsets; and that quality of online content is maintained

The content specialist will also assist the IT manager with the planning and management of changes or enhancements to these tools; and the development and implementation of new content.

Legal Counsel - 1 Additional FTE

Texas RE has not yet incurred outside legal expenses for appeals of NERC standard violations, because there have not yet been any contested confirmed violations. With penalties now effective, we anticipate contested cases will begin to occur in 2008 and will increase during 2009. We do not expect other legal and regulatory work to decrease in 2009.

Currently (based on 1st quarter actuals), Texas RE is trending to spend \$250K on outside counsel, without any standard violation appeals. If we do not add an additional attorney, we estimate a 2009 Statutory outside legal budget of \$500K. In order to mitigate this potential expense, we would request an additional in-house legal counsel be added (at an estimated annual salary & benefits of \$130K). This position will only be added if we can capture net savings.

2009 Space Requirements-Supplemental Budget

Option 1

- Texas RE will require additional space to office staff.
- These space requirements assume 30 Texas RE FTEs and 5 IMM FTEs. At present, the space at the Met Center dedicated to Texas RE and IMM is 32 FTEs.
- With additional space provided by ERCOT, Texas RE and IMM can reside in the Met Center until ERCOT addresses possible relocation.

Option 2

- Texas RE and IMM would need to procure office space on the open market sufficient to office up to 37 FTEs.
- The costs are significantly higher and are expected to be:

Texas Regional Entity Option 2 Build-Out of New Office Space Supplemental Budget Request				
Item Description	Year 1 2008	Year 2 2009	Year 3 2010	Total Cost
Differential in Rent Amount	250,000	250,000	250,000	750,000
Leasehold Improvement	250,000			250,000
Cabling, Cat-5 Wiring & Phone Bank	27,000			27,000
Office Equipment	150,000			150,000
Total Expected Cost	677,000	250,000	250,000	1,177,000
NOTES:				
1) Assumes 10,000 square feet of space needed for Offices, Workrooms, Conference Rooms Employee Kitchen and Breakroom.				
2) Assume market rate of \$32 annually per rentable square foot.				
3) Cost to build-out would be approximately \$25 per rentable square foot.				

2009 Budget-Statutory & Non-Statutory - Summary

- **Personnel Expenses ~ \$811K ↑ 27% (Headcount increase 20%)**
 - Increase associated with adding 5 staff (detailed under personnel increase section).
 - Salary Expense \$423K, Benefits Expense \$140K.
 - 5% merit/promotion and 5% market adjustment increases for existing staff.
 - Salary Expense \$187K, Benefits Expense \$61K.
- **Travel & Meetings ~ \$19K ↑ 21%**
 - Increasing due to additional business-related travel; anticipated increased number of Regional Entity, NERC, and FERC related travel.
- **Facilities, Consumables & Outside Services ~ \$228K ↑ 19%**
 - Rent Expense – Support Allocation (ERCOT ISO) – \$55K.
 - Staff training was added to the budget for 2009 that enables employees to attend developmental training – \$10K.
 - Office expenses are increasing \$4K for postage, FedEx and office supplies.
 - Other expenses (Dues expense) is increasing due the expectation we will have more PEs and also 2 State of Texas Bar registrations.
 - Non-Statutory contingency reserve added totaling – \$30K.
 - Professional services and computer, purchases & maintenance for technology improvements; website maintenance and upgrades, data management and compliance related projects – \$122K.
- **Non-Operating Expenses ~ \$507K ↑ 192%**
 - Required Cash Reserve constitutes \$768K.

2009 Statutory & Non-Statutory Expense Budget

Texas Regional Entity

Fiscal Year 2009 Planning Template

Income Statement

All Items should be briefly explained: How did you determine you need them?

Department Number:	Texas RE Aggregate	Click in the cell and select the department number
Manager:	Larry Grimm, CCO	Click in the cell and select the manager name
Functional Category:	Combined Statutory & Non-Statutory	

NERC CATEGORY	ACCOUNTS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Explanation
REVENUE															
Revenue	41014-Revenue-Statutory	641,736	411,186	425,810	426,986	424,771	454,050	430,174	428,448	428,194	428,190	443,196	428,237	5,370,979	NERC Assessment
Revenue	41014-Revenue-Non-Statutory	64,640	55,844	55,844	57,491	57,491	59,671	57,491	57,491	57,492	57,492	57,492	57,493	695,929	Non-Statutory revenue.
Revenue	42080-Revenue Other-Statutory	-	-	-	35,000	35,000	-	-	-	-	-	-	-	70,000	Workshop Fees expected to paid.
	Total Revenue	706,377	467,030	481,654	519,477	517,262	513,722	487,664	485,939	485,686	485,682	500,687	485,730	6,136,909	
EXPENSE															
1-Salaries	68000-0000-Payroll - Salaries & Wages	225,634	225,634	225,634	235,590	235,590	235,590	235,590	235,590	235,591	235,591	235,591	235,591	2,797,219	5 new FTEs (total 30 FTEs) + 5% merit/promotion & 5% market.
1-Salaries	68010-0000-Overtime Pay	576	576	576	576	576	576	576	576	576	576	576	576	6,908	Estimate of OT to be paid
2-Employee Benefits	73100-0000-Cellular Phone	925	925	925	925	925	925	925	925	925	925	925	925	11,100	Cell phone expense based on total cell phones in operation.
2-Employee Benefits	Employee Benefits	74,459	74,459	74,459	77,716	77,716	77,716	77,716	77,716	77,716	77,716	77,716	77,717	922,819	ERCOT ISO guidance of 33% benefit load used in planning.
5-Travel	65041-0000-Business Registration Fees	-	-	920	-	-	600	-	-	920	-	-	600	3,040	Business related workshops to attend.
5-Travel - see below	65121-0000-Business-Mileage Reimburse.	432	102	440	440	165	280	194	428	440	131	412	131	3,596	NERC, FERC and Audit related travel for the year-see details below.
5-Travel - see below	73281-0000-Business-Meals	1,120	640	1,320	960	1,120	3,070	1,440	1,120	1,280	1,000	1,000	920	14,990	" "
5-Travel - see below	73306-0000-Business-Travel-Airfare	1,680	1,680	2,520	3,640	1,120	7,400	3,360	3,360	2,240	3,640	1,120	2,800	34,560	" "
5-Travel - see below	73311-0000-Business-Travel-Lodging	2,804	1,400	3,396	2,316	2,696	5,940	3,560	2,640	3,344	2,480	2,424	2,052	35,052	" "
5-Travel - see below	73300-0000-Travel-Other	1,560	720	1,860	1,320	1,440	3,090	2,040	1,440	1,800	1,380	1,260	1,140	19,050	" "
9.2-Other	65040-0000-Training-Registration Fees	550	550	-	550	550	-	550	550	-	550	550	-	4,400	Training registration fees for employee development.
9.2-Other	65120-0000-Training-Mileage Reimburse.	20	20	-	20	20	-	20	20	-	20	20	-	160	Mileage associated with local training attendance.
9.2-Other	73305-0000-Taining-Travel-Airfare	185	185	-	185	185	-	185	185	-	185	185	-	1,480	Airfare associated with training at national seminars.
9.2-Other	73280-0000-Training-Meals	210	210	-	210	210	-	210	210	-	210	210	-	1,680	
9.2-Other	73310-0000-Training-Travel-Lodging	335	335	-	335	335	-	335	335	-	335	335	-	2,680	
9.2-Other	73356-0000-Training- Parking	10	10	-	10	10	-	10	10	-	10	10	-	80	
6-Meetings	73440-0000-Operator Training Services	-	-	-	35,000	35,000	-	-	-	-	-	-	-	70,000	Operator Training -This is a direct reimbursement in Assessments.
6-Meetings	65020-0000-Sponsored Meetings	-	-	-	-	-	17,500	-	-	-	-	17,500	-	35,000	2 Workshops to be offered in 2009 in addition to Operator Training.
7-Office Costs	65140-0000-Misc Expenses	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	Contingency reserve for Non-Statutory Budget.
7-Office Costs	68027-0000-Facilities Dept Alloc	23,266	23,266	23,266	23,266	23,266	23,266	23,266	23,266	23,266	23,266	23,266	23,266	279,188	Includes the facilities and support allocation paid to ERCOT ISO.
7-Office Costs	72000-0000-Postage (U.S. Postal Svc)	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
7-Office Costs	72001-0000-Express Shipping	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
7-Office Costs	73000-0000-Report Printing	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
7-Office Costs	73002-0000-Stationary & Forms	120	100	120	100	120	100	120	100	120	100	120	100	1,320	
7-Office Costs	73020-0000-Office Supplies	740	740	740	740	740	740	740	740	740	740	740	740	8,880	
8-Consultant	65060-0000-Professional Fees - Operations	16,550	16,550	26,550	16,550	16,550	17,800	17,800	17,800	17,800	17,800	17,800	17,800	217,350	(1) Compliance data management tool, (2) reliability standards tracking tool, and (3) public website and internal document management system managed hosting
8-Professional Services	65071-0000-Prof Fees-Software Services	235,000	-	-	-	-	-	-	-	-	-	-	-	235,000	(1) Public website enhancements; (2) completion of internal document management system project; and (3) two compliance-specific projects
8-Professional Services	65072-0000-Prof Fees- BOD Search	500	500	500	500	500	500	500	500	500	500	500	500	6,000	
8-Professional Services	65180-0000-Legal Fees	29,167	29,167	29,167	29,167	29,167	29,167	29,167	29,167	29,167	29,167	29,167	29,167	350,000	Estimate based present usage trend of outside counsel.
8-Professional Services	65200-0000-Accounting/Audit Expenses	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000	Audit fees for the financial statement audit.
9-Computer Purch & Main	63030-0000-Software < \$1,000	1,238	250	250	250	250	250	250	250	250	250	250	250	3,988	
9-Computer Purch & Main	68028-0000-IT Dept Alloc	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	219,000	IT Department allocation paid to ERCOT ISO.
9.1-Dues	62000-0000-Dues	50	50	50	50	50	50	50	50	50	50	50	1,800	2,350	
9.1-Dues	62040-0000-Professional Dues	435	150	150	250	150	350	250	150	150	250	150	845	3,280	
	Total Operating Expenses	642,365	403,018	417,643	455,465	453,250	449,710	423,653	421,927	421,674	421,670	436,676	421,718	5,368,770	
	Non Operating Expense	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	768,138	
	Expense Grand Total	706,377	467,030	481,654	519,477	517,262	513,722	487,664	485,939	485,686	485,682	500,687	485,730	6,136,909	

Statutory Budget Detail

- **Function Overview** **Page 25**
- **Detail of Statutory Budget** **Page 26**
- **Cash Reserves Calculation** **Page 27**
- **Detail of Budget by Account** **Page 28**

Texas Regional Entity Function Overview

- **Statutory**

- **Compliance Review & Verification**

- Compliance Audits
- Compliance Enforcement
- Registration & Certification
- Compliance Analysis of Events

- **Performance Analysis & Assessment**

- Readiness Audits
- Training & Workshops
- Data & Records Management
- Issue Tracking

- **Reliability Standards**

- Coordinate & facilitate Regional Reliability Standards Development
- Review & communicate NERC standards-related information

- **Corporate Operations: Program & Management Support**

- Executive
- Legal & Regulatory
- Finance
- Information Technology

2009 Budget-Statutory

Texas Regional Entity

2009 Preliminary Budget Projection

Statutory Funding

April 15, 2008

	2007 Budget	2007 Actual	2008 Budget	2008 Forecast	2009 Projection	2008 Budget vs. 2009 Projection	
						\$	%
<u>Expenses</u>						Variance	Variance
Labor & Benefits	2,164,886	1,115,192	2,268,141	2,318,503	3,233,474	914,971	39.5%
Meetings	0	0	43,240	34,734	35,000	266	0.8%
Travel	8,069	35,278	93,235	86,720	108,108	21,388	24.7%
Consumables, Facilities & Outside Services							
Rent & Improvements & Support Alloc.	77,500	113,290	203,000	181,923	243,188	61,265	33.7%
Professional Services & Consulting	330,000	235,731	256,000	353,874	342,000	(11,874)	-3.4%
Office Costs	65,900	1,864	17,450	8,960	13,320	4,360	48.7%
Computer, Purchases & Maintenance	1,804,400	117,379	89,000	506,256	611,642	105,386	20.8%
Other	0	0	0	417	16,110	15,693	100.0%
Total Consumables, Facilities & Outside Services	2,277,800	468,264	565,450	1,051,430	1,226,260	174,830	16.6%
Total Operating Expense	\$ 4,450,755	\$ 1,618,734	\$ 2,970,066	\$ 3,491,387	\$ 4,602,841	\$ 1,090,066	31.2%
Non-Operating Expense	350,000	0	295,000	263,000	768,138	505,138	192.1%
Grand Total of Expenses	\$ 4,800,755	\$ 1,618,734	\$ 3,265,066	\$ 3,754,387	\$ 5,370,979	\$ 1,595,204	42.5%
Cost per MWH	\$ 0.0150	\$ 0.0053	\$ 0.0104	\$ 0.0120	\$ 0.0168	\$ 0.0048	

2009 Estimated Statutory Cash Requirement

Reserve Analysis 2008-2009	
STATUTORY	
Cash Available 2008	
Beginning Cash @ January 1, 2008	3,252,021
2008 Funding (Assessments)	3,296,066
Change in assets ¹	
Total Cash Available 2008	<u>6,548,087</u>
Cash Needed 2008	
2008 Projected expenses (Cash basis) ²	3,754,387
Less: 2008 Projected other funding sources	0
Change in liabilities	
Total Cash Needed 2008	<u>3,754,387</u>
Projected Ending Cash Balance, December 31, 2008	<u><u>2,793,700</u></u>
Desired Cash Balance, December 31, 2009 (60 days cash on hand) ³	768,138
Less: Projected Cash Balance December 31, 2008	2,793,700
Increase(decrease) in assessments needed to raise cash balance	<u><u>(2,025,562)</u></u>
2009 Assessment (Personnel, Meeting & Operating Expenses)	4,672,841
2009 Assessment (Non-Operating Expenses)	768,138
2009 Other funding sources	0
Adjustment to increase cash balance	(2,025,562)
2009 Assessment and reserve adjustment	<u><u>3,415,417</u></u>

¹ Assumes all other assets remain at same levels as 12/31/08

² Assumes all other liabilities remain at same levels as 12/31/08

³ Comment from Board of Trustees explaining reserve balance required.

2009 Statutory Expense Budget

Texas Regional Entity															
Fiscal Year 2009 Planning Template															
Income Statement															
Department Number:	Texas RE Aggregate	Click in the cell and select the department number													
Manager:	Larry Grimm, CCO	Click in the cell and select the manager name													
Functional Category:	Federal / Statutory														
All Items should be briefly explained: How did you determine you need them?															
NERC CATEGORY	ACCOUNTS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Explanation
REVENUE															
Revenue	41014-Revenue-Statutory	641,736	411,186	425,810	426,986	424,771	454,050	430,174	428,448	428,194	428,190	443,196	428,237	5,370,979	
Revenue	41014-Revenue-Non-Statutory	-	-	-	-	-	-	-	-	-	-	-	-	-	
Revenue	42080-Revenue Other-Statutory	-	-	-	35,000	35,000	-	-	-	-	-	-	-	70,000	
	Total Revenue	641,736	411,186	425,810	461,986	459,771	454,050	430,174	428,448	428,194	428,190	443,196	428,237	5,440,979	
EXPENSE															
1-Salaries	68000-0000-Payroll - Salaries & Wages	194,948	194,948	194,948	203,644	203,644	203,644	203,644	203,644	203,644	203,644	203,644	203,644	2,417,643	5 new FTEs (total 26 FTEs) + 5% merit/promotion & 5% market.
1-Salaries	68010-0000-Overtime Pay	576	576	576	576	576	576	576	576	576	576	576	576	6,908	Estimate of OT to be paid
2-Employee Benefits	73100-0000-Cellular Phone	925	925	925	925	925	925	925	925	925	925	925	925	11,100	Cell phone expense based on total cell phones in operation.
2-Employee Benefits	Employee Benefits	64,333	64,333	64,333	67,203	67,203	67,203	67,203	67,203	67,203	67,203	67,203	67,203	797,822	ERCOT ISO guidance of 33% benefit load used in planning.
5-Travel	65041-0000-Business Registration Fees	-	-	920	-	-	600	-	-	920	-	-	600	3,040	Business related workshops to attend.
5-Travel - see below	65121-0000-Business-Mileage Reimburse.	432	102	440	440	165	280	194	428	440	131	412	131	3,596	NERC, FERC and Audit related travel for the year-see details below.
5-Travel - see below	73281-0000-Business-Meals	1,120	640	1,320	960	1,120	2,040	1,440	1,120	1,280	1,000	1,000	920	13,960	" "
5-Travel - see below	73306-0000-Business-Travel-Airfare	1,680	1,680	2,520	3,640	1,120	7,000	3,360	3,360	2,240	3,640	1,120	2,800	34,160	" "
5-Travel - see below	73311-0000-Business-Travel-Lodging	2,804	1,400	3,396	2,316	2,696	5,340	3,560	2,640	3,344	2,480	2,424	2,052	34,452	" "
5-Travel - see below	73300-0000-Travel-Other	1,560	720	1,860	1,320	1,440	2,940	2,040	1,440	1,800	1,380	1,260	1,140	18,900	" "
9.2-Other	65040-0000-Training-Registration Fees	550	550		550	550		550	550		550	550		4,400	Training registration fees for employee development.
9.2-Other	65120-0000-Training-Mileage Reimburse.	20	20		20	20		20	20		20	20		160	Mileage associated with local training attendance.
9.2-Other	73305-0000-Taining-Travel-Airfare	185	185		185	185		185	185		185	185		1,480	Airfare associated with training at national seminars.
9.2-Other	73280-0000-Training-Meals	210	210		210	210		210	210		210	210		1,680	
9.2-Other	73310-0000-Training-Travel-Lodging	335	335		335	335		335	335		335	335		2,680	
9.2-Other	73356-0000-Training- Parking	10	10		10	10		10	10		10	10		80	
6-Meetings	73440-0000-Operator Training Services	-	-	-	35,000	35,000	-	-	-	-	-	-	-	70,000	Operator Training -This is a direct reimbursement in Assessments.
6-Meetings	65020-0000-Sponsored Meetings	-	-	-	-	-	17,500	-	-	-	-	17,500	-	35,000	2 Workshops to be offered in 2009 in addition to Operator Training.
6-Meetings	73090-0000-Telephone - Conf Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	
7-Office Costs	65140-0000-Misc Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	Contingency reserve for Non-Statutory Budget.
7-Office Costs	68027-0000-Facilities Dept Alloc	20,266	20,266	20,266	20,266	20,266	20,266	20,266	20,266	20,266	20,266	20,266	20,266	243,188	Includes the facilities and support allocation paid to ERCOT ISO.
7-Office Costs	72000-0000-Postage (U.S. Postal Svc)	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
7-Office Costs	72001-0000-Express Shipping	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
7-Office Costs	73000-0000-Report Printing	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
7-Office Costs	73002-0000-Stationary & Forms	120	100	120	100	120	100	120	100	120	100	120	100	1,320	
7-Office Costs	73020-0000-Office Supplies	700	700	700	700	700	700	700	700	700	700	700	700	8,400	
8-Consultant	65060-0000-Professional Fees - Operations	13,975	13,975	23,975	13,975	13,975	15,225	15,225	15,225	15,225	15,225	15,225	15,225	186,450	(1) Compliance data management tool, (2) reliability standards tracking tool, and (3) public website and internal document management system managed hosting
8-Professional Services	65071-0000-Prof Fees-Software Services	226,250	-	-	-	-	-	-	-	-	-	-	-	226,250	(1) Public website enhancements; (2) completion of internal document management system project; and (3) two compliance-specific projects
8-Professional Services	65072-0000-Prof Fees- BOD Search	500	500	500	500	500	500	500	500	500	500	500	500	6,000	
8-Professional Services	65180-0000-Legal Fees	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000	Estimate based present usage trend of outside counsel.
8-Professional Services	65200-0000-Accounting/Audit Expenses	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000	Audit fees for the financial statement audit.
9-Computer Purch & Main	63025-0000-Hardware < \$1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	
9-Computer Purch & Main	63030-0000-Software < \$1,000	1,192	250	250	250	250	250	250	250	250	250	250	250	3,942	
9-Computer Purch & Main	68028-0000-IT Dept Alloc	16,250	16,250	16,250	16,250	16,250	16,250	16,250	16,250	16,250	16,250	16,250	16,250	195,000	IT Department allocation paid to ERCOT ISO.
9.1-Dues	62000-0000-Dues	50	50	50	50	50	50	50	50	50	50	50	1,800	2,350	
9.1-Dues	62040-0000-Professional Dues	435	150	150	250	150	350	250	150	150	250	150	845	3,280	
	Total Operating Expenses	577,725	347,174	361,799	397,975	395,760	390,039	366,162	364,436	364,183	364,179	379,184	364,226	4,672,841	
	Non Operating Expense	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	64,012	768,138	
	Expense Grand Total	641,736	411,186	425,810	461,986	459,771	454,050	430,174	428,448	428,194	428,190	443,196	428,237	5,440,979	

Non-Statutory Budget Detail

- **Function Overview** **Page 30**
- **Detail of Non-Statutory Budget** **Page 31**
- **Detail of Budget by Account** **Page 32**

Texas Regional Entity Function Overview (cont.)

- **Non-Statutory**
 - **Protocol Compliance**
 - **Compliance Audits**
 - **Compliance Analysis of Events**
 - **PRR and NPRR Review and Comment**
 - **Corporate Operations: Program & Management Support**
 - **Executive**
 - **Legal & Regulatory**
 - **Finance**
 - **Information Technology**

2009 Budget–Non-Statutory

Texas Regional Entity

2009 Preliminary Budget Projection

Non-Statutory Funding

April 15, 2008

	2007 Budget	2007 Actual	2008 Budget	2008 Forecast	2009 Projection	2008 Budget vs. 2009 Projection	
						\$ Variance	% Variance
Expenses							
Labor & Benefits	524,950	387,675	692,332	608,730	504,572	(104,158)	-17.1%
Meetings	1,000	-	-	-	-	-	100.0%
Travel	17,790	4,913	3,900	4,172	2,181	(1,991)	-47.7%
Consumables, Facilities & Outside Services							
Rent & Improvements & Support Alloc.	21,500	22,617	44,000	42,099	36,000	(6,099)	-14.5%
Professional Services & Consulting	17,000	7,269	82,000	70,630	98,650	28,020	39.7%
Office Costs	19,125	21,006	2,550	804	480	(324)	-40.3%
Computer, Purchases & Maintenance	42,100	100,150	24,000	23,570	24,046	476	2.0%
Other	-	-	-	-	30,000	30,000	100.0%
Total Consumables, Facilities & Outside Services	99,724	151,042	152,550	137,103	189,176	52,073	38.0%
Total Operating Expense	\$ 643,464	\$ 543,630	\$ 848,782	\$ 750,005	\$ 695,929	\$ (52,085)	-6.9%
Non-Operating Expense	-	-	-	-	-	-	
Grand Total of Expenses	\$ 643,464	\$ 543,630	\$ 848,782	\$ 750,005	\$ 695,929	\$ (52,085)	-6.9%
Cost per MWH	\$ 0.0020	\$ 0.0018	\$ 0.0027	\$ 0.0024	\$ 0.0022	\$ (0.0002)	

2009 Non-Statutory Expense Budget

Texas Regional Entity

Fiscal Year 2009 Planning Template

All Items should be briefly explained: How did you determine you need them?

Income Statement

Department Number:	Texas RE Aggregate	Click in the cell and select the department number
Manager:	Larry Grimm, CCO	Click in the cell and select the manager name
Functional Category:	Protocol / Non-Statutory	

NERC CATEGORY	ACCOUNTS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Explanation
REVENUE															
Revenue	41014-Revenue-Statutory	-	-	-	-	-	-	-	-	-	-	-	-	-	
Revenue	41014-Revenue-Non-Statutory	64,640	55,844	55,844	57,491	57,491	59,671	57,491	57,491	57,492	57,492	57,492	57,493	695,929	
Revenue	42080-Revenue Other-Statutory	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total Revenue	64,640	55,844	55,844	57,491	57,491	59,671	57,491	57,491	57,492	57,492	57,492	57,493	695,929	
EXPENSE															
1-Salaries	68000-0000-Payroll - Salaries & Wages	30,686	30,686	30,686	31,946	31,946	31,946	31,946	31,946	31,947	31,947	31,947	31,947	379,576	4 FTEs + 5% merit/promotion & 5% market.
1-Salaries	68010-0000-Overtime Pay	-	-	-	-	-	-	-	-	-	-	-	-	-	
2-Employee Benefits	73100-0000-Cellular Phone	-	-	-	-	-	-	-	-	-	-	-	-	-	
2-Employee Benefits	Employee Benefits	10,126	10,126	10,126	10,513	10,513	10,513	10,513	10,513	10,513	10,513	10,513	10,514	124,996	ERCOT ISO guidance of 33% benefit load used in planning.
5-Travel	65041-0000-Business Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
5-Travel - see below	65121-0000-Business-Mileage Reimburse.	-	-	-	-	-	-	-	-	-	-	-	-	-	
5-Travel - see below	73281-0000-Business-Meals	-	-	-	-	-	1,030	-	-	-	-	-	-	1,030	Protocol Audit travel expense only.
5-Travel - see below	73306-0000-Business-Travel-Airfare	-	-	-	-	-	400	-	-	-	-	-	-	400	" "
5-Travel - see below	73311-0000-Business-Travel-Lodging	-	-	-	-	-	600	-	-	-	-	-	-	600	" "
5-Travel - see below	73300-0000-Travel-Other	-	-	-	-	-	150	-	-	-	-	-	-	150	" "
9.2-Other	65040-0000-Training-Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
9.2-Other	65120-0000-Training-Mileage Reimburse.	-	-	-	-	-	-	-	-	-	-	-	-	-	
9.2-Other	73305-0000-Taining-Travel-Airfare	-	-	-	-	-	-	-	-	-	-	-	-	-	
9.2-Other	73280-0000-Training-Meals	-	-	-	-	-	-	-	-	-	-	-	-	-	
9.2-Other	73310-0000-Training-Travel-Lodging	-	-	-	-	-	-	-	-	-	-	-	-	-	
9.2-Other	73356-0000-Training- Parking	-	-	-	-	-	-	-	-	-	-	-	-	-	
6-Meetings	73440-0000-Operator Training Services	-	-	-	-	-	-	-	-	-	-	-	-	-	
6-Meetings	65020-0000-Sponsored Meetings	-	-	-	-	-	-	-	-	-	-	-	-	-	
6-Meetings	73090-0000-Telephone - Conf Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	
7-Office Costs	65140-0000-Misc Expenses	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	Contingency reserve for Non-Statutory Budget.
7-Office Costs	68027-0000-Facilities Dept Alloc	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000	Includes the facilities and support allocation paid to ERCOT ISO.
7-Office Costs	72000-0000-Postage (U.S. Postal Svc)	-	-	-	-	-	-	-	-	-	-	-	-	-	
7-Office Costs	72001-0000-Express Shipping	-	-	-	-	-	-	-	-	-	-	-	-	-	
7-Office Costs	73000-0000-Report Printing	-	-	-	-	-	-	-	-	-	-	-	-	-	
7-Office Costs	73002-0000-Stationary & Forms	-	-	-	-	-	-	-	-	-	-	-	-	-	
7-Office Costs	73020-0000-Office Supplies	40	40	40	40	40	40	40	40	40	40	40	40	480	
8-Consultant	65060-0000-Professional Fees - Operations	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575	30,900	Potential consulting expenses as needed.
8-Professional Services	65071-0000-Prof Fees-Software Services	8,750	-	-	-	-	-	-	-	-	-	-	-	8,750	Preliminary allocation of IT related project expense.
8-Professional Services	65072-0000-Prof Fees- BOD Search	-	-	-	-	-	-	-	-	-	-	-	-	-	
8-Professional Services	65180-0000-Legal Fees	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000	Estimate based present usage trend of outside counsel.
8-Professional Services	65200-0000-Accounting/Audit Expenses	750	750	750	750	750	750	750	750	750	750	750	750	9,000	Audit fees for the financial statement audit.
9-Computer Purch & Main	63025-0000-Hardware < \$1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	
9-Computer Purch & Main	63030-0000-Software < \$1,000	46	-	-	-	-	-	-	-	-	-	-	-	46	
9-Computer Purch & Main	68028-0000-IT Dept Alloc	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	IT Department allocation paid to ERCOT ISO.
9.1-Dues	62000-0000-Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	
9.1-Dues	62040-0000-Professional Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total Operating Expenses	64,640	55,844	55,844	57,491	57,491	59,671	57,491	57,491	57,492	57,492	57,492	57,493	695,929	