



2009 Preliminary Budget

ERCOT Board of Directors
April 15, 2008

Steve Byone / Mike Petterson

2009 Budget Development Schedule

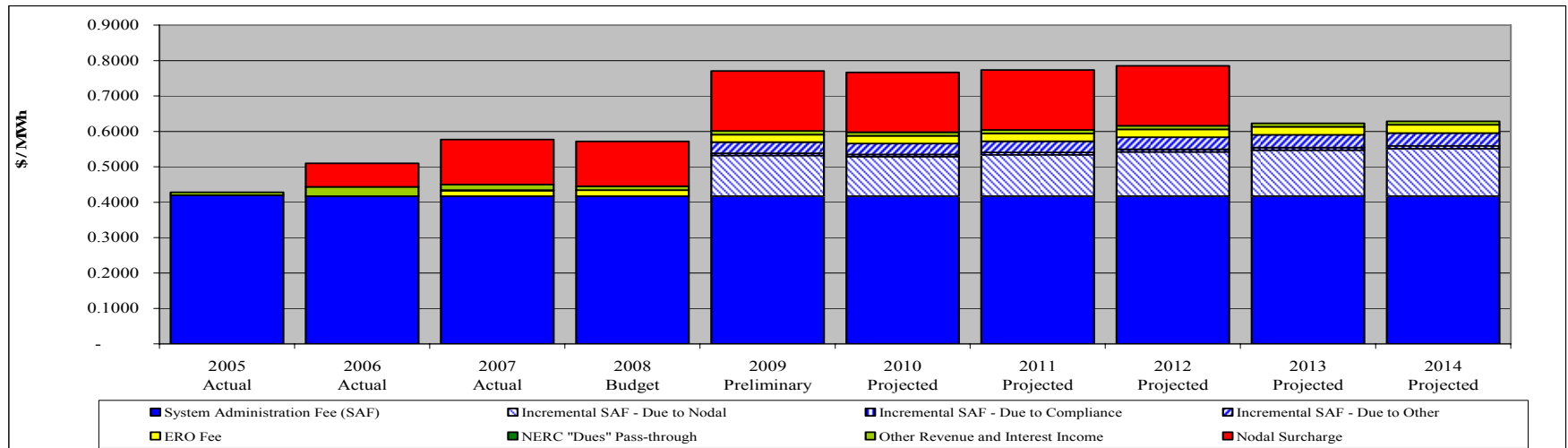
Date	Task	Status
Monday, Nov. 19	Executive Committee - 2009 Strategic Planning & Budget Discussion	√
Monday, Dec. 10	Executive Committee - 2009 Strategic Planning & Budgeting Assumptions	√
Tuesday, Feb. 19	Finance & Audit Committee Agenda - Budget/PPL Status Update	√
Tuesday, Feb. 19	Board Agenda - Strategic Planning & Budgeting Assumptions (briefing & request for public comment)	√
Thursday, Feb. 28	Budget Kick-off Meeting	√
Monday, Mar. 3 - Friday, Mar. 7	Departmental Compilation and Director/VP Review	√
Friday, Mar. 7	Submit Departmental Budget Request	√
Monday, Mar. 10 - Tuesday, Mar. 11	Calculate & Compile DRAFT Categorical Budget (Budget staff)	√
Tuesday, Mar. 11	PUCT Staff - Assumption & Timeline Discussion	√
Wednesday, Mar. 12 - Friday, Mar. 14	Preliminary Budget Review by Office-- VP/Director/Manager Budget Revisions (as necessary)	√
Monday, Mar. 17	Executive Committee Review - Consolidated Schedules	√
Tuesday, Mar. 18	Begin Testimony Preparation	√
Tuesday, Mar. 18	Finance & Audit Committee Agenda - Preliminary Budget/PPL Presentation (Courtesy copy to all Board members)	√
Tuesday, Mar. 18	Public Meeting - Preliminary 2009 Budget Presentation (in conjunction w/Finance & Audit Committee Meeting)	√
Wednesday, Mar. 19 - Friday, Apr. 4	PUCT Staff Review	Ongoing
Monday, Mar. 24	Executive Committee Review - Consolidated Schedules	√
Wednesday, Apr. 2	Executive Committee Review - Consolidated Schedules	√
Thursday, Apr. 3	Finance & Audit Committee Special Meeting - 2009 Budget Review	√
Friday, Apr. 4	Testimony - 1st Draft Due	Ongoing
Monday, Apr. 7	Executive Committee Review - Consolidated Schedules	√
Tuesday, Apr. 15	Board Agenda - Finance & Audit Committee 2009 Budget Recommendation & Board Review	
Friday, May 9	Testimony Finalized	
Tuesday, May 20	Board Agenda - 2009 Budget Approval/Vote	
Wednesday, May 21 - Wednesday, May 28	Review and Finalize PUCT Fee Filing	
Friday, May 30	PUCT Fee Filing	

- **Provide high-value, cost-effective service to the citizens of Texas**
- **Provide market participants predictable, stable fees**
- **Control costs while:**
 - Maintaining grid reliability
 - Maintaining and supporting the wholesale market and the retail market
 - Maintaining critical information technology infrastructure
 - Ensuring business controls and oversight
- **Accurately anticipate resource requirements in response to regular and substantial market changes:**
 - Effective operations within a Nodal market framework
 - New protocol revisions
 - Legislative action

The preliminary 2009 budget –

- Assumes operations within a Nodal market framework
- Funds resources necessary to fulfill legislative obligations and responsibilities (SB 7)
- Funds priority projects approved through the Technical Advisory Committee process
- Provides direct funding and support of the independent market monitoring function
- Funds the PURA functions of the Texas RE
- Funds resources necessary to comply with new federal reliability and security mandates
- Exclusions
 - Advanced metering
 - Texas RE Statutory functions (Federal)

Overview of Preliminary 2009 Budget & Strategic Financial Plan Historical and Projected Fee



Line	(\$ per MWh)	2005 Actual	2006 Actual	2007 Actual	2008 Budget	2009 Preliminary	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2014 Projected
1	System Administration Fee (SAF)	0.4200	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171
2	Incremental SAF - Due to Nodal	0.0000	0.0000	0.0000	0.0000	0.1148	0.1117	0.1167	0.1252	0.1300	0.1341
3	Incremental SAF - Due to Compliance	0.0000	0.0000	0.0000	0.0000	0.0065	0.0063	0.0066	0.0070	0.0073	0.0075
4	Incremental SAF - Due to Other	0.0000	0.0000	0.0000	0.0000	0.0315	0.0306	0.0320	0.0343	0.0356	0.0368
5	Subtotal	0.4200	0.4171	0.4171	0.4171	0.5698	0.5657	0.5724	0.5836	0.5900	0.5955
6	Other Revenue and Interest Income	0.0077	0.0263	0.0160	0.0110	0.0105	0.0102	0.0100	0.0099	0.0097	0.0095
7	ERO Fee	0.0000	0.0000	0.0158	0.0169	0.0211	0.0216	0.0220	0.0225	0.0230	0.0234
8	NERC "Dues" Pass-through	0.0000	0.0000	0.0011	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
9	Subtotal	0.4277	0.4434	0.4499	0.4450	0.6014	0.5975	0.6045	0.6160	0.6227	0.6285
10	Nodal Surcharge	0.0000	0.0663	0.1270	0.1270	0.1690	0.1690	0.1690	0.1690	0.0000	0.0000
11	Total	0.4277	0.5097	0.5769	0.5720	0.7704	0.7665	0.7735	0.7850	0.6227	0.6285
12	MWh	298,782,420	304,373,763	305,482,175	313,723,759	319,088,823	326,056,929	332,575,434	338,312,141	344,156,776	349,877,783

Notes:

- (1) System Administration Fee covers ERCOT's base operations and interdependent projects.
- (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) ERO Fee commenced in 2007. The method by which the ERO 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 includes approximately \$963,000 for "NERC Dues". New responsibility and reorganizations at NERC resulted in significant increases to the organization's dues assessments.
- (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. Surcharge increase to .169 currently under review by PUCT.

2009 System Administration Fee Incremental Increase Analysis

ERCOT Fiscal Year 2009 Budget

2009 System Administration Fee Incremental Increase Analysis

2008 Budget System Admin. Fee	\$ 0.4171
2009 Preliminary System Admin. Fee	0.5698
Incremental Increase over 2008 Budget	0.1527

	Incremental Increases due to Nodal									
	Operations & Maintenance		Met Relocation		Compliance		Other		Total	
	\$	\$/MWh	\$	\$/MWh	\$	\$/MWh	\$	\$/MWh	\$	\$/MWh
Labor & Benefits	13,975	0.0438	124	0.0004	1,935	0.0061	2,053	0.0064	18,086	0.0567
Allocations - Nodal Program	5,718	0.0179	-	-	-	-	-	-	5,718	0.0179
Outside Services	5,097	0.0160	-	-	127	0.0004	(553)	(0.0017)	4,671	0.0146
Utilities, Maintenance & Facilities	450	0.0014	-	-	-	-	809	0.0025	1,259	0.0039
HW/SW License and Maintenance	1,270	0.0040	-	-	-	-	2,001	0.0063	3,271	0.0102
Insurance	15	0.0000	-	-	-	-	(140)	(0.0004)	(125)	(0.0004)
Employee Expenses	83	0.0003	-	-	-	-	(259)	(0.0008)	(176)	(0.0005)
Property Taxes	-	-	400	0.0012	-	-	-	-	400	0.0012
Other	910	0.0028	-	-	-	-	331	0.0010	1,241	0.0039
Subtotal	27,518	0.0862	524	0.0016	2,062	0.0065	4,242	0.0133	34,346	0.1076
Debt Service - Interest Expense	-	-	461	0.0014	-	-	(1,818)	(0.0057)	(1,357)	(0.0043)
Debt Service - Principal Payments	-	-	-	-	-	-	7,463	0.0234	7,463	0.0234
Revenue-Funded Capital	-	-	-	-	-	-	(120)	(0.0004)	(120)	(0.0004)
Revenue-Funded Facility (Met Center)	-	-	8,160	0.0256	-	-	-	-	8,160	0.0256
Less Other Revenue	-	-	-	-	-	-	(447)	(0.0014)	(447)	(0.0014)
Less Interest Income	-	-	-	-	-	-	550	0.0017	550	0.0017
GWh	-	-	-	-	-	-	177	0.0006	177	0.0006
Subtotal	-	-	8,621	0.0270	-	-	5,805	0.0182	14,425	0.0452
Total ERCOT	27,518	0.0862	9,145	0.0286	2,062	0.0065	10,047	0.0315	48,771	0.1527

Comparison of Financing Options

Options	System Administration Fee (SAF) Impact		Total SAF Interest Expense through 2020 \$ (Millions)	Projected Debt Outstanding at 12/31/2012 \$ (Millions)
	2009 - 2012 \$/MWh	Thereafter		
1 Met Center relocation @ 60% debt; all other capital expense @ 60% debt	0.1832	0.183 (through 2014)	64	135
2 Met Center relocation @ 80% debt; all other capital expense @ 60% debt	0.1729	0.173 (through 2014)	71	152
3 Met Center relocation @ 100% debt; all other capital expense @ 60% debt	0.1578	0.177 (through 2015)	76	174
4 Met Center relocation @ 100% debt; all other capital expense @ 100% debt thru 2012	0.1310	0.230 (through 2015)	80	214

Notes:

- The System Administration Fee impact considers the combined effects of the following:
 - a) revenue funded portion of capital expenditures
 - b) debt payments required for the year
 - c) interest expense for the year
- In all options, the Met Center relocation project is repaid by 2019. In Option 1, repayment begins in 2011. In Options 2 - 4, repayment begins in 2015. All other assets (expected to be primarily software and hardware) are scheduled for repayment over 3-4 years.

Recommendation: *ERCOT staff utilized Option 1 in the development of the 2009 budget request as it best meets the stated objectives. Option 1 provides the lowest overall cost, leaves ERCOT in the best financial position at 2012, minimizes spikes in the fee, and provides the best match of cost with benefit of the assets purchased.*

Overview of Preliminary 2009 Budget & Strategic Financial Plan

- ERCOT region fees – approximate impact on Average Household

Fee Description	2008			2009 (preliminary)			2013 (preliminary)		
	Fees per MWh*	Per Month (1000 KWh/month)	Per Year (1000 KWh/month)	Fees per MWh	Per Month (1000 KWh/month)	Per Year (1000 KWh/month)	Fees per MWh	Per Month (1000 KWh/month)	Per Year (1000 KWh/month)
System Administration Fee	\$0.4171	\$0.42	\$5.04	\$0.5698	\$0.57	\$6.84	\$0.5900	\$0.59	\$7.08
Nodal Surcharge	\$0.1540	\$0.15	\$1.80	\$0.1690	\$0.17	\$2.04	\$0.0000	\$0.00	\$0.00
NERC ERO Reliability Fee (Federally mandated; ERCOT collects it but has no control over it)	\$0.0169	\$0.02	\$0.20	\$0.0211	\$0.02	\$0.25	\$0.0230	\$0.02	\$0.28
TOTAL	\$0.5880	\$0.59	\$7.04	\$0.7599	\$0.76	\$9.13	\$0.6130	\$0.61	\$7.36

* Average of 2008 expected fees, based on current filings

- **Previous policy decisions drive ERCOT funding requirements**
 - Operation within the protocols (now Nodal)
 - Significant new functions necessary for Nodal operations
 - Primary cost drivers:
 - » Staffing new functions
 - » Required new technology applications/systems
 - » Facilities to house new staff and systems
 - » One-time items for Nodal stabilization
 - Facilities
 - New space demands are a function of Nodal
 - Data center space for Nodal servers
 - Incremental Nodal staffing
 - MET Center lease is expiring
 - Opportunity to simultaneously address security concerns
 - Mandates from Energy Policy Act (Reliability and Security)
 - Board Financial Policy
 - Project equity contribution rates (40% equity funding)
 - Debt amortization (extinguished by end of asset useful life)

- **Base Budget - Operating Expenses**

- Staffing

- 736 employees
- Employee benefits assumed at 33% of base salaries
- Average annual merit award consistent with long-term market trend assumed at 3% of base salaries
- Average annual allowance for employee promotions and other market adjustments assumed at 2% of base salaries
- Reward & Recognition program assumed at 2% of base salaries
- Vacancy savings assumed at 7% of base salaries
- Labor allocated to project priority list activity based on managers' resource allocation

- Consultants and contractors

- Based on specific requests

- Hardware and software maintenance and support

- Based on specific identification by information technology staff

- Interest cost
 - Based on outstanding debt projections
- All other categories
 - Increased for average long-term inflation of approximately 2.1% per year based on CPI
- **Project expenditures**
 - \$47.6 million planned for 2009
 - Met Center – \$20.4M
 - All Other – \$27.2M
 - Assumed 40% revenue-funded and 60% debt-funded
 - Reviewed by market committees
- **Energy consumption**
 - Approximately 1.7% MWh growth from 2008 projections based on preliminary analysis prepared by ERCOT's planning staff

Preliminary 2009 Budget Summary (with 5 year forecast)

Line	2005 Actual	2006 Actual	2007 Actual	2008 Budget	2009 Preliminary	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2014 Projected
1	ERCOT O&M Expense									
2	<i>Labor & Benefits</i>									
3	\$ 53,406	\$ 58,166	\$ 69,359	79,334	85,307	\$ 89,573	\$ 94,051	\$ 98,754	\$ 103,692	\$ 108,876
4	<i>Contra-Labor to Base Projects</i>									
5	(5,171)	(4,395)	(2,841)	(4,718)	(9,595)	(8,469)	(8,620)	(8,779)	(8,945)	(9,120)
6	<i>Contra-Labor to Nodal</i>									
7	-	(4,982)	(12,522)	(17,178)	-	-	-	-	-	-
8	<i>Subtotal - Labor & Benefits</i>									
9	48,235	48,789	53,996	57,439	75,712	81,103	85,431	89,975	94,747	99,757
10	<i>Support Allocations - Nodal Program</i>									
11	-	(1,673)	(4,957)	(1,673)	-	-	-	-	-	-
12	<i>Backfill Allocations - Nodal Program</i>									
13	-	(403)	(1,593)	(1,545)	-	-	-	-	-	-
14	<i>Facilities Allocations - Nodal Program</i>									
15	-	(120)	(2,813)	(2,500)	-	-	-	-	-	-
16	<i>Subtotal - Allocations - Nodal Program</i>									
17	-	(2,196)	(9,363)	(5,718)	-	-	-	-	-	-
18	<i>Tools, Equipment, & Supplies</i>									
19	1,165	1,089	1,295	1,124	1,215	1,241	1,267	1,293	1,320	1,349
20	<i>Hardware & Software Expenses</i>									
21	7,196	7,740	9,406	9,304	12,575	15,233	15,558	15,885	16,219	16,576
22	<i>Outside Services</i>									
23	7,417	9,104	11,226	12,768	17,443	9,289	8,926	9,219	9,456	9,267
24	<i>Special Audits</i>									
25	1,752	575	-	-	-	-	-	-	-	-
26	<i>Utilities, Maintenance & Facilities</i>									
27	6,591	6,940	6,880	7,392	8,653	8,835	9,936	10,190	10,451	10,723
28	<i>Employee Expenses</i>									
29	1,374	1,227	1,388	2,012	1,838	1,875	1,912	1,950	1,989	2,029
30	<i>Insurance</i>									
31	1,699	1,677	1,692	2,250	2,125	2,170	2,216	2,262	2,310	2,360
32	<i>Property Taxes</i>									
33	1,016	998	903	1,100	1,500	1,532	1,564	1,596	1,630	1,666
34	<i>NERC Dues</i>									
35	925	-	963	-	-	-	-	-	-	-
36	<i>Other</i>									
37	2,051	3,028	1,189	1,346	2,467	2,103	2,148	2,193	2,239	2,288
38	<i>Subtotal - O&M Expenses</i>									
39	79,421	78,970	79,577	89,017	123,528	123,381	128,958	134,565	140,361	146,015
40	<i>Debt service - interest expense</i>									
41	9,189	7,632	5,471	7,905	6,547	7,352	8,018	7,884	6,105	4,448
42	<i>Debt service - principal payments</i>									
43	26,137	26,137	26,137	26,137	33,600	27,900	36,100	36,800	47,040	46,640
44	<i>Revenue-funded capital</i>									
45	10,880	19,658	18,983	11,000	10,880	15,310	17,660	19,010	10,340	12,000
46	<i>Revenue-funded facility (Met Center)</i>									
47	-	-	-	-	8,160	11,240	480	-	-	-
48	<i>Protocol Services (TRE)</i>									
49	846	1,954	477	849	729	759	790	823	857	893
50	<i>Market Monitoring</i>									
51	-	600	1,650	1,750	1,700	1,850	1,700	1,700	1,700	1,700
52	<i>Total Revenue Requirement</i>									
53	126,473	134,950	132,295	136,657	185,144	187,792	193,705	200,782	206,403	211,696
54	<i>Less Other Revenue</i>									
55	2,050	5,795	3,737	2,642	3,089	3,089	3,089	3,089	3,089	3,089
56	<i>Less Interest Income</i>									
57	250	2,200	1,138	800	250	250	250	250	250	250
58	<i>Revenue Rqmt from System Admin Fee</i>									
59	\$ 124,173	\$ 126,955	\$ 127,420	\$ 133,215	\$ 181,805	\$ 184,452	\$ 190,366	\$ 197,443	\$ 203,064	\$ 208,356
60	<i>GWh</i>									
61	298,782	304,374	305,482	319,400	319,089	326,057	332,575	338,312	344,157	349,878
62	<i>% GWh Growth</i>									
63	3.6%	1.9%	0.4%	4.6%	1.7%	2.2%	2.0%	1.7%	1.7%	1.7%
64	ERCOT System Administration Fee									
65	\$ 0.42	\$ 0.4171	\$ 0.4171	\$ 0.4171	\$ 0.5698	\$ 0.5657	\$ 0.5724	\$ 0.5836	\$ 0.5900	\$ 0.5955
66	<i>Capital Spending - Revenue Funded</i>									
67	10,880	19,658	18,983	11,000	10,880	15,310	17,660	19,010	10,340	12,000
68	<i>Capital Spending - % Revenue Funded</i>									
69	66%	57%	44%	40%	40%	40%	40%	40%	40%	40%
70	<i>Capital Spending - Debt Funded</i>									
71	5,485	14,807	23,888	16,500	16,320	22,965	26,490	28,515	15,510	18,000
72	<i>Capital Spending - % Debt Funded</i>									
73	34%	43%	56%	60%	60%	60%	60%	60%	60%	60%
74	<i>Total Project Spending</i>									
75	16,365	34,465	42,871	27,500	27,200	38,275	44,150	47,525	25,850	30,000
76	<i>Facility Spending - Revenue Funded</i>									
77	-	-	-	-	8,160	11,240	480	-	-	-
78	<i>Facility Spending - % Revenue Funded</i>									
79	-	-	-	-	40%	40%	40%	-	-	-
80	<i>Facility Spending - Debt Funded</i>									
81	-	-	-	6,200	12,240	16,860	720	-	-	-
82	<i>Facility Spending - % Debt Funded</i>									
83	-	-	-	100%	60%	60%	60%	-	-	-
84	<i>Total Facility (Met Center) Spending</i>									
85	-	-	-	6,200	20,400	28,100	1,200	-	-	-
86	<i>Total Project/Facility Spending</i>									
87	16,365	34,465	42,871	33,700	47,600	66,375	45,350	47,525	25,850	30,000
88	<i>Total ERCOT Spending Authorization</i>									
89	131,958	149,757	156,183	159,357	213,704	227,617	220,915	229,297	221,913	229,696

Note:

(1) 2008 Total Project Spending includes \$6.2 million for the Met Center which was authorized subsequent to the 2008 Budget approval and has been reflected as 100% debt funded.

Preliminary 2009 Resource Requirements

	Funding				Full Time Equivalency			
	2006 Actual	2007 Actual	2008 Budget	2009 Requested	2006 Actual	2007 Actual	2008 Budget	2009 Requested
ERCOT								
<i>Base Operations</i>	49,751,158	54,400,757	58,130,929	76,216,729	477	477	518	655
<i>Base Projects</i>	4,395,649	2,840,780	4,717,804	9,595,313	37	24	40	81
<i>Nodal Program</i>	4,984,423	12,523,443	17,177,910	-	42	106	145	-
<i>Labor & Benefits Total</i>	59,131,229	69,764,979	80,026,643	85,812,042	556	607	703	736
Corporate Administration								
<i>Base Operations</i>	10,821,418	13,326,237	12,252,170	12,162,803	111	109	119	131
<i>Base Projects</i>	(39,685)	111,557	1,030,393	559,559	-	1	9	5
<i>Nodal Program</i>	268,250	512,009	339,708	-	2	4	3	-
<i>Labor & Benefits Total</i>	11,049,982	13,949,803	13,622,271	12,722,362	113	114	131	136
Information Technology								
<i>Base Operations</i>	13,164,312	14,080,551	16,573,216	25,491,347	121	119	137	196
<i>Base Projects</i>	2,707,320	1,403,236	1,186,549	4,892,888	23	12	10	41
<i>Nodal Program</i>	2,226,401	6,106,911	7,684,315	-	19	52	65	-
<i>Labor & Benefits Total</i>	18,098,033	21,590,698	25,444,080	30,384,235	163	182	212	237
Market Operations								
<i>Base Operations</i>	10,998,926	10,966,455	11,043,735	14,420,169	106	106	107	129
<i>Base Projects</i>	1,350,328	1,068,324	2,410,954	3,371,550	11	9	20	29
<i>Nodal Program</i>	1,155,163	2,953,403	4,362,773	-	10	25	37	-
<i>Labor & Benefits Total</i>	13,504,416	14,988,182	17,817,461	17,791,719	127	140	164	157
System Operations								
<i>Base Operations</i>	14,766,502	12,879,166	13,447,228	17,964,081	139	117	116	152
<i>Base Projects</i>	377,686	212,751	89,908	747,656	3	2	1	6
<i>Nodal Program</i>	1,334,609	2,578,378	4,482,283	-	11	22	38	-
<i>Labor & Benefits Total</i>	16,478,797	15,670,295	18,019,419	18,711,737	153	141	155	158
System Planning								
<i>Base Operations</i>	-	3,148,347	4,814,580	6,178,330	-	27	38	48
<i>Base Projects</i>	-	44,912	-	23,660	-	-	-	-
<i>Nodal Program</i>	-	372,742	308,832	-	-	3	3	-
<i>Labor & Benefits Total</i>	-	3,566,001	5,123,413	6,201,990	-	30	41	48

Note: Data based on the organizational structure as it existed (exists) each year.

Fee Sensitivity Analysis

\$.01 of System Administration Fee equals:

- \$3.2 million of operating expense
 - $\$3.2 \text{ million} / 319,088,823 \text{ MWh} = \$0.01 / \text{MWh}$
 - 29.8 positions (Average Annual Salary of \$107,500)
(includes benefits and employee expenses)

- \$8 million of capital spending
 - 60% leverage (40% equity funding * \$8 million = \$3.2 million)

- 5.6 GWh
 - 1.76% deviation from MWh expected
 - Calculations:
 - $\$3.2 \text{ million} / \$05698 \text{ per MWh} = 5.6 \text{ GWh}$
 - $5.6 \text{ GWh} / 319 \text{ GWh} = 1.76\%$



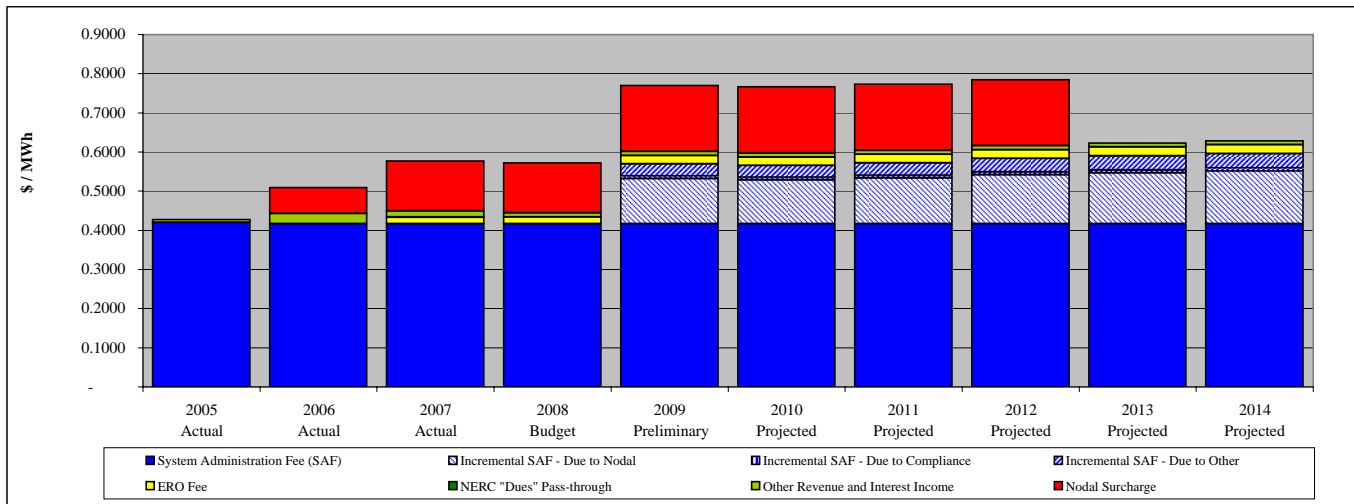
Feedback and Next Steps



Appendix A

Preliminary 2009 Budget Schedules

ERCOT Fiscal Year 2009 Budget
All ERCOT Income on a per MWh Basis



Line (\$ per MWh)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	Actual	Actual	Actual	Budget	Preliminary	Projected	Projected	Projected	Projected	Projected
1 System Administration Fee (SAF)	0.4200	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171	0.4171
2 Incremental SAF - Due to Nodal	0.0000	0.0000	0.0000	0.0000	0.1148	0.1117	0.1167	0.1252	0.1300	0.1341
3 Incremental SAF - Due to Compliance	0.0000	0.0000	0.0000	0.0000	0.0065	0.0063	0.0066	0.0070	0.0073	0.0075
4 Incremental SAF - Due to Other	0.0000	0.0000	0.0000	0.0000	0.0315	0.0306	0.0320	0.0343	0.0356	0.0368
5 Subtotal	0.4200	0.4171	0.4171	0.4171	0.5698	0.5657	0.5724	0.5836	0.5900	0.5955
6 Other Revenue and Interest Income	0.0077	0.0263	0.0160	0.0110	0.0105	0.0102	0.0100	0.0099	0.0097	0.0095
7 ERO Fee	0.0000	0.0000	0.0158	0.0169	0.0211	0.0216	0.0220	0.0225	0.0230	0.0234
8 NERC "Dues" Pass-through	0.0000	0.0000	0.0011	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
9 Subtotal	0.4277	0.4434	0.4499	0.4450	0.6014	0.5975	0.6045	0.6160	0.6227	0.6285
10 Nodal Surcharge	0.0000	0.0663	0.1270	0.1270	0.1690	0.1690	0.1690	0.1690	0.0000	0.0000
11 Total	0.4277	0.5097	0.5769	0.5720	0.7704	0.7665	0.7735	0.7850	0.6227	0.6285
12 MWh	298,782,420	304,373,763	305,482,175	313,723,759	319,088,823	326,056,929	332,575,434	338,312,141	344,156,776	349,877,783

Notes:

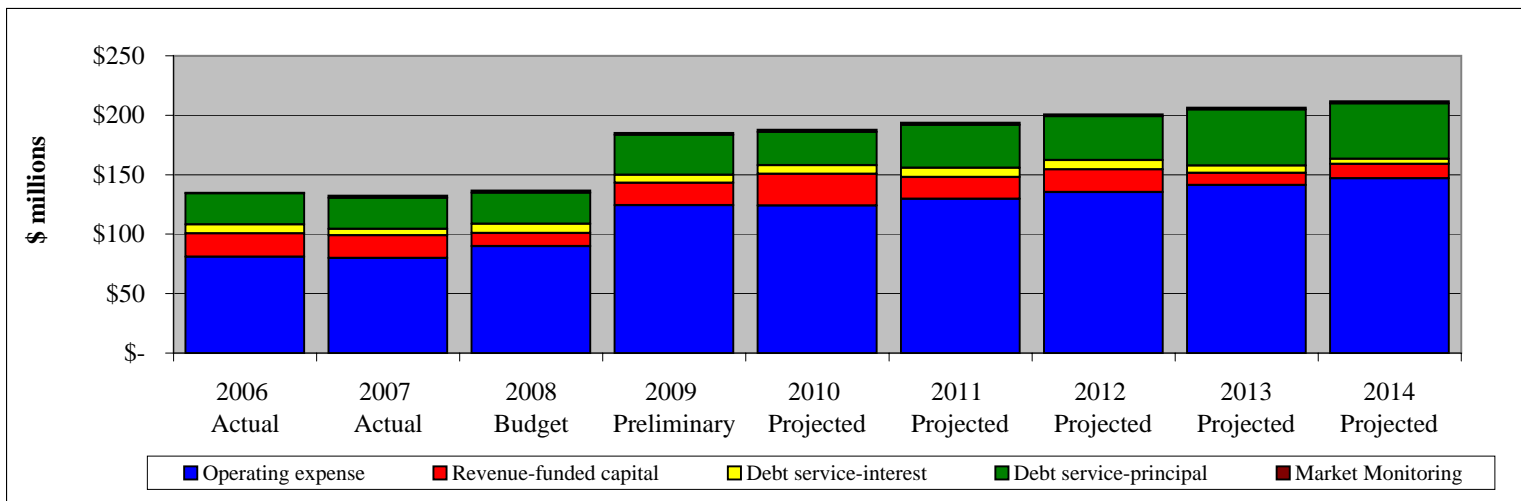
- (1) System Administration Fee covers ERCOT's base operations and interdependent projects.
- (2) Other revenue and interest income is comprised of wide-area network revenue, non-ERCOT load serving entity revenue, generation interconnection revenue, membership dues, map sales, interest income, and other non-operating income.
- (3) ERO Fee commenced in 2007. The method by which the ERO 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 includes approximately \$963,000 for "NERC Dues". New responsibility and reorganizations at NERC resulted in significant increases to the organization's dues assessments.
- (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. Surcharge increase to .169 currently under review by PUCT.

ERCOT Fiscal Year 2009 Budget
2009 System Administration Fee Incremental Increase Analysis

2008 Budget System Admin. Fee	\$ 0.4171
2009 Preliminary System Admin. Fee	0.5698
Incremental Increase over 2008 Budget	0.1527

	Incremental Increases due to Nodal									
	Operations & Maintenance		Met Relocation		Compliance		Other		Total	
	\$	\$/MWh	\$	\$/MWh	\$	\$/MWh	\$	\$/MWh	\$	\$/MWh
Labor & Benefits	13,975	0.0438	124	0.0004	1,935	0.0061	2,053	0.0064	18,086	0.0567
Allocations - Nodal Program	5,718	0.0179	-	-	-	-	-	-	5,718	0.0179
Outside Services	5,097	0.0160	-	-	127	0.0004	(553)	(0.0017)	4,671	0.0146
Utilities, Maintenance & Facilities	450	0.0014	-	-	-	-	809	0.0025	1,259	0.0039
HW/SW License and Maintenance	1,270	0.0040	-	-	-	-	2,001	0.0063	3,271	0.0102
Insurance	15	0.0000	-	-	-	-	(140)	(0.0004)	(125)	(0.0004)
Employee Expenses	83	0.0003	-	-	-	-	(259)	(0.0008)	(176)	(0.0005)
Property Taxes	-	-	400	0.0012	-	-	-	-	400	0.0012
Other	910	0.0028	-	-	-	-	331	0.0010	1,241	0.0039
Subtotal	27,518	0.0862	524	0.0016	2,062	0.0065	4,242	0.0133	34,346	0.1076
Debt Service - Interest Expense	-	-	461	0.0014	-	-	(1,818)	(0.0057)	(1,357)	(0.0043)
Debt Service - Principal Payments	-	-	-	-	-	-	7,463	0.0234	7,463	0.0234
Revenue-Funded Capital	-	-	-	-	-	-	(120)	(0.0004)	(120)	(0.0004)
Revenue-Funded Facility (Met Center)	-	-	8,160	0.0256	-	-	-	-	8,160	0.0256
Less Other Revenue	-	-	-	-	-	-	(447)	(0.0014)	(447)	(0.0014)
Less Interest Income	-	-	-	-	-	-	550	0.0017	550	0.0017
GWh	-	-	-	-	-	-	177	0.0006	177	0.0006
Subtotal	-	-	8,621	0.0270	-	-	5,805	0.0182	14,425	0.0452
Total ERCOT	27,518	0.0862	9,145	0.0286	2,062	0.0065	10,047	0.0315	48,771	0.1527

ERCOT Fiscal Year 2009 Budget
Revenue Requirement and ERCOT System Administration Fee Summary



Line	2006 Actual	2007 Actual	2008 Budget	2009 Preliminary	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2014 Projected
1 Operating expense	80.9	80.1	89.9	124.3	124.1	129.7	135.4	141.2	146.9
2 Revenue-funded capital	19.7	19.0	11.0	19.0	26.6	18.1	19.0	10.3	12.0
3 Debt service-interest	7.6	5.5	7.9	6.5	7.4	8.0	7.9	6.1	4.4
4 Debt service-principal	26.1	26.1	26.1	33.6	27.9	36.1	36.8	47.0	46.6
5 Market Monitoring	0.6	1.7	1.8	1.7	1.9	1.7	1.7	1.7	1.7
6 Total revenue requirement	134.9	132.3	136.7	185.1	187.8	193.7	200.8	206.4	211.7
7 GWh	304.4	305.5	319.4	319.1	326.1	332.6	338.3	344.2	349.9
8 System Administration Fee	\$0.4171	\$0.4171	\$0.4171	\$0.5698	\$0.5657	\$0.5724	\$0.5836	\$0.5900	\$0.5955
9									
10 Total Project Spending	34.5	42.9	33.7	47.6	66.4	45.4	47.5	25.9	30.0
11									
12 (\$ / MWh)									
13 Operating expense	0.25	0.2524	0.2743	0.3824	0.3740	0.3834	0.3935	0.4037	0.4133
14 Revenue-funded capital	0.06	0.0599	0.0336	0.0586	0.0800	0.0536	0.0553	0.0296	0.0338
15 Debt service-interest	0.02	0.0172	0.0241	0.0201	0.0221	0.0237	0.0229	0.0175	0.0125
16 Debt service-principal	0.08	0.0824	0.0798	0.1034	0.0840	0.1067	0.1070	0.1345	0.1312
17 Market Monitoring	0.00	0.0052	0.0053	0.0052	0.0056	0.0050	0.0049	0.0049	0.0048
18 Total revenue requirement	\$0.4171	\$0.4171	\$0.4171	\$0.5698	\$0.5657	\$0.5724	\$0.5836	\$0.5900	\$0.5955

Notes:
(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.
(3) 2008 Total Project Spending includes \$6.2 million for the Met Center which was authorized subsequent to the 2008 Budget approval and has been reflected as 100% debt funded.

ERCOT Fiscal Year 2009 Budget

Revenue Requirement and ERCOT System Administration Fee Summary Table
(in thousands)

Line		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
		Actual	Actual	Actual	Budget	Preliminary	Projected	Projected	Projected	Projected	Projected
1	ERCOT O&M Expense										
2	<i>Labor & Benefits</i>	\$ 53,406	\$ 58,166	\$ 69,359	79,334	85,307	\$ 89,573	\$ 94,051	\$ 98,754	\$ 103,692	\$ 108,876
3	<i>Contra-Labor to Base Projects</i>	(5,171)	(4,395)	(2,841)	(4,718)	(9,595)	(8,469)	(8,620)	(8,779)	(8,945)	(9,120)
4	<i>Contra-Labor to Nodal</i>	-	(4,982)	(12,522)	(17,178)	-	-	-	-	-	-
5	<i>Subtotal - Labor & Benefits</i>	48,235	48,789	53,996	57,439	75,712	81,103	85,431	89,975	94,747	99,757
6	<i>Support Allocations - Nodal Program</i>	-	(1,673)	(4,957)	(1,673)	-	-	-	-	-	-
7	<i>Backfill Allocations - Nodal Program</i>	-	(403)	(1,593)	(1,545)	-	-	-	-	-	-
8	<i>Facilities Allocations - Nodal Program</i>	-	(120)	(2,813)	(2,500)	-	-	-	-	-	-
9	<i>Subtotal - Allocations - Nodal Program</i>	-	(2,196)	(9,363)	(5,718)	-	-	-	-	-	-
10	<i>Tools, Equipment, & Supplies</i>	1,165	1,089	1,295	1,124	1,215	1,241	1,267	1,293	1,320	1,349
11	<i>Hardware & Software Expenses</i>	7,196	7,740	9,406	9,304	12,575	15,233	15,558	15,885	16,219	16,576
12	<i>Outside Services</i>	7,417	9,104	11,226	12,768	17,443	9,289	8,926	9,219	9,456	9,267
13	<i>Special Audits</i>	1,752	575	-	-	-	-	-	-	-	-
14	<i>Utilities, Maintenance & Facilities</i>	6,591	6,940	6,880	7,392	8,653	8,835	9,936	10,190	10,451	10,723
15	<i>Employee Expenses</i>	1,374	1,227	1,388	2,012	1,838	1,875	1,912	1,950	1,989	2,029
16	<i>Insurance</i>	1,699	1,677	1,692	2,250	2,125	2,170	2,216	2,262	2,310	2,360
17	<i>Property Taxes</i>	1,016	998	903	1,100	1,500	1,532	1,564	1,596	1,630	1,666
18	<i>NERC Dues</i>	925	-	963	-	-	-	-	-	-	-
19	<i>Other</i>	2,051	3,028	1,189	1,346	2,467	2,103	2,148	2,193	2,239	2,288
20	<i>Subtotal - O&M Expenses</i>	79,421	78,970	79,577	89,017	123,528	123,381	128,958	134,565	140,361	146,015
21	Debt service - interest expense	9,189	7,632	5,471	7,905	6,547	7,352	8,018	7,884	6,105	4,448
22	Debt service - principal payments	26,137	26,137	26,137	26,137	33,600	27,900	36,100	36,800	47,040	46,640
23	Revenue-funded capital	10,880	19,658	18,983	11,000	10,880	15,310	17,660	19,010	10,340	12,000
24	Revenue-funded facility (Met Center)	-	-	-	-	8,160	11,240	480	-	-	-
25	Protocol Services (TRE)	846	1,954	477	849	729	759	790	823	857	893
26	Market Monitoring	-	600	1,650	1,750	1,700	1,850	1,700	1,700	1,700	1,700
27	Total Revenue Requirement	126,473	134,950	132,295	136,657	185,144	187,792	193,705	200,782	206,403	211,696
28	Less Other Revenue	2,050	5,795	3,737	2,642	3,089	3,089	3,089	3,089	3,089	3,089
29	Less Interest Income	250	2,200	1,138	800	250	250	250	250	250	250
30	Revenue Rqmt from System Admin Fee	\$ 124,173	\$ 126,955	\$ 127,420	\$ 133,215	\$ 181,805	\$ 184,452	\$ 190,366	\$ 197,443	\$ 203,064	\$ 208,356
31	GWh	298,782	304,374	305,482	319,400	319,089	326,057	332,575	338,312	344,157	349,878
32	% GWh Growth	3.6%	1.9%	0.4%	4.6%	1.7%	2.2%	2.0%	1.7%	1.7%	1.7%
33	ERCOT System Administration Fee	\$ 0.42	\$ 0.4171	\$ 0.4171	\$ 0.4171	\$ 0.5698	\$ 0.5657	\$ 0.5724	\$ 0.5836	\$ 0.5900	\$ 0.5955
34	Capital Spending - Revenue Funded	10,880	19,658	18,983	11,000	10,880	15,310	17,660	19,010	10,340	12,000
35	Capital Spending - % Revenue Funded	66%	57%	44%	40%	40%	40%	40%	40%	40%	40%
36	Capital Spending - Debt Funded	5,485	14,807	23,888	16,500	16,320	22,965	26,490	28,515	15,510	18,000
37	Capital Spending - % Debt Funded	34%	43%	56%	60%	60%	60%	60%	60%	60%	60%
38	Total Project Spending	16,365	34,465	42,871	27,500	27,200	38,275	44,150	47,525	25,850	30,000
39	Facility Spending - Revenue Funded	-	-	-	-	8,160	11,240	480	-	-	-
40	Facility Spending - % Revenue Funded	-	-	-	-	40%	40%	40%	-	-	-
41	Facility Spending - Debt Funded	-	-	-	6,200	12,240	16,860	720	-	-	-
42	Facility Spending - % Debt Funded	-	-	-	100%	60%	60%	60%	-	-	-
43	Total Facility (Met Center) Spending	-	-	-	6,200	20,400	28,100	1,200	-	-	-
44	Total Project/Facility Spending	16,365	34,465	42,871	33,700	47,600	66,375	45,350	47,525	25,850	30,000
45	Total ERCOT Spending Authorization	131,958	149,757	156,183	159,357	213,704	227,617	220,915	229,297	221,913	229,696

Note:
(1) 2008 Total Project Spending includes \$6.2 million for the Met Center which was authorized subsequent to the 2008 Budget approval and has been reflected as 100% debt funded.

ERCOT Fiscal Year 2009 Budget
Staffing Summary by Office (Full Time Equivalency)

	Funding				Full Time Equivalency			
	2006 Actual	2007 Actual	2008 Budget	2009 Requested	2006 Actual	2007 Actual	2008 Budget	2009 Requested
ERCOT								
<i>Base Operations</i>	49,751,158	54,400,757	58,130,929	76,216,729	477	477	518	655
<i>Base Projects</i>	4,395,649	2,840,780	4,717,804	9,595,313	37	24	40	81
<i>Nodal Program</i>	4,984,423	12,523,443	17,177,910	-	42	106	145	-
<i>Labor & Benefits Total</i>	59,131,229	69,764,979	80,026,643	85,812,042	556	607	703	736
Corporate Administration								
<i>Base Operations</i>	10,821,418	13,326,237	12,252,170	12,162,803	111	109	119	131
<i>Base Projects</i>	(39,685)	111,557	1,030,393	559,559	-	1	9	5
<i>Nodal Program</i>	268,250	512,009	339,708	-	2	4	3	-
<i>Labor & Benefits Total</i>	11,049,982	13,949,803	13,622,271	12,722,362	113	114	131	136
Information Technology								
<i>Base Operations</i>	13,164,312	14,080,551	16,573,216	25,491,347	121	119	137	196
<i>Base Projects</i>	2,707,320	1,403,236	1,186,549	4,892,888	23	12	10	41
<i>Nodal Program</i>	2,226,401	6,106,911	7,684,315	-	19	52	65	-
<i>Labor & Benefits Total</i>	18,098,033	21,590,698	25,444,080	30,384,235	163	182	212	237
Market Operations								
<i>Base Operations</i>	10,998,926	10,966,455	11,043,735	14,420,169	106	106	107	129
<i>Base Projects</i>	1,350,328	1,068,324	2,410,954	3,371,550	11	9	20	29
<i>Nodal Program</i>	1,155,163	2,953,403	4,362,773	-	10	25	37	-
<i>Labor & Benefits Total</i>	13,504,416	14,988,182	17,817,461	17,791,719	127	140	164	157
System Operations								
<i>Base Operations</i>	14,766,502	12,879,166	13,447,228	17,964,081	139	117	116	152
<i>Base Projects</i>	377,686	212,751	89,908	747,656	3	2	1	6
<i>Nodal Program</i>	1,334,609	2,578,378	4,482,283	-	11	22	38	-
<i>Labor & Benefits Total</i>	16,478,797	15,670,295	18,019,419	18,711,737	153	141	155	158
System Planning								
<i>Base Operations</i>	-	3,148,347	4,814,580	6,178,330	-	27	38	48
<i>Base Projects</i>	-	44,912	-	23,660	-	-	-	-
<i>Nodal Program</i>	-	372,742	308,832	-	-	3	3	-
<i>Labor & Benefits Total</i>	-	3,566,001	5,123,413	6,201,990	-	30	41	48

Note: Data based on the organizational structure as it existed (exists) each year

ERCOT Fiscal Year 2009 Budget

Expenditure Summary by Office

	2006 Actual	2007 Actual	2008 Budget	2009 Requested	2008 Budget vs. 2009 Requested	
					\$ Variance	% Variance
ERCOT						
<i>Labor & Benefits</i>	59,131,229	69,764,979	80,026,643	85,812,042	5,785,399	7.2%
<i>Labor for Capital Projects</i>	(4,395,649)	(2,840,780)	(4,717,804)	(9,595,313)	(4,877,509)	103.4%
<i>Labor for Nodal</i>	(4,984,423)	(12,523,443)	(17,177,910)	-	17,177,910	-100.0%
<i>Subtotal - Labor & Benefits</i>	49,751,158	54,400,757	58,130,929	76,216,729	18,085,800	31.1%
<i>Support Allocations - Nodal Program</i>	(1,673,237)	(4,936,766)	(1,673,212)	-	1,673,212	-100.0%
<i>Backfill Allocations - Nodal Program</i>	(402,772)	(1,592,512)	(1,545,000)	-	1,545,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	(120,484)	(2,813,090)	(2,500,000)	-	2,500,000	-100.0%
<i>Subtotal - Allocations - Nodal Program</i>	(2,196,493)	(9,342,368)	(5,718,212)	-	5,718,212	-100.0%
<i>Material, Supplies, Tools & Equipment</i>	1,092,541	1,295,740	1,126,860	1,248,537	121,677	10.8%
<i>Special Reviews</i>	575,026	-	-	-	-	NA
<i>Outside Services</i>	9,703,961	12,883,622	14,600,214	19,271,661	4,671,447	32.0%
<i>Utilities, Maintenance & Facilities</i>	6,939,517	6,919,240	7,459,650	8,713,480	1,253,830	16.8%
<i>HW/SW License and Maintenance</i>	7,740,246	9,405,715	9,303,714	12,574,694	3,270,980	35.2%
<i>Insurance</i>	1,676,549	1,691,854	2,250,000	2,125,369	(124,631)	-5.5%
<i>Employee Expenses</i>	1,259,905	1,393,957	2,016,283	1,840,000	(176,283)	-8.7%
<i>Interest & Fees</i>	7,631,714	5,470,556	7,904,525	6,547,275	(1,357,250)	-17.2%
<i>Property Taxes</i>	997,716	903,497	1,100,000	1,500,000	400,000	36.4%
<i>NERC Dues</i>	964,808	963,138	-	-	-	NA
<i>Other</i>	3,018,129	1,188,998	1,346,360	2,466,699	1,120,339	83.2%
Total - ERCOT	89,154,777	87,174,707	99,520,323	132,504,445	32,984,122	33.1%

ERCOT Fiscal Year 2009 Budget

Expenditure Summary by Office

	2006 Actual	2007 Actual	2008 Budget	2009 Requested	2008 Budget vs. 2009 Requested	
					\$ Variance	% Variance
Corporate Administration						
<i>Labor & Benefits</i>	11,049,982	13,949,803	13,622,271	12,722,362	(899,909)	-6.6%
<i>Labor for Capital Projects</i>	39,685	(111,557)	(1,030,393)	(559,559)	470,834	-45.7%
<i>Labor for Nodal</i>	(268,250)	(512,009)	(339,708)	-	339,708	-100.0%
<i>Subtotal - Labor & Benefits</i>	10,821,418	13,326,237	12,252,170	12,162,803	(89,367)	-0.7%
<i>Support Allocations - Nodal Program</i>	(1,039,174)	(3,272,773)	(1,192,212)	-	1,192,212	-100.0%
<i>Backfill Allocations - Nodal Program</i>	(21,885)	(90,383)	(100,000)	-	100,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	(120,484)	(1,681,864)	(1,500,000)	-	1,500,000	-100.0%
<i>Subtotal - Allocations - Nodal Program</i>	(1,181,543)	(5,045,020)	(2,792,212)	-	2,792,212	-100.0%
<i>Material, Supplies, Tools & Equipment</i>	652,371	912,832	751,355	852,832	101,477	13.5%
<i>Special Reviews</i>	575,026	-	-	-	-	NA
<i>Outside Services</i>	5,756,207	5,023,295	4,388,118	5,010,950	622,832	14.2%
<i>Utilities, Maintenance & Facilities</i>	3,526,880	4,257,017	4,172,000	4,933,500	761,500	18.3%
<i>HW/SW License and Maintenance</i>	104,181	54,948	-	-	-	NA
<i>Insurance</i>	1,676,549	1,691,854	2,250,000	2,125,369	(124,631)	-5.5%
<i>Employee Expenses</i>	287,613	338,527	403,149	340,000	(63,149)	-15.7%
<i>Interest & Fees</i>	7,631,714	5,470,556	7,904,525	6,547,275	(1,357,250)	-17.2%
<i>Property Taxes</i>	997,716	903,497	1,100,000	1,500,000	400,000	36.4%
<i>NERC Dues</i>	964,808	-	-	-	-	NA
<i>Other</i>	2,354,972	603,057	780,710	837,110	56,400	7.2%
Total - Corporate Administration	34,167,912	27,536,800	31,209,815	34,309,839	3,100,024	9.9%

ERCOT Fiscal Year 2009 Budget

Expenditure Summary by Office

	2006 Actual	2007 Actual	2008 Budget	2009 Requested	2008 Budget vs. 2009 Requested	
					\$ Variance	% Variance
Information Technology						
<i>Labor & Benefits</i>	18,098,033	21,590,698	25,444,080	30,384,235	4,940,154	19.4%
<i>Labor for Capital Projects</i>	(2,707,320)	(1,403,236)	(1,186,549)	(4,892,888)	(3,706,339)	312.4%
<i>Labor for Nodal</i>	(2,226,401)	(6,106,911)	(7,684,315)	-	7,684,315	-100.0%
Subtotal - Labor & Benefits	13,164,312	14,080,551	16,573,216	25,491,347	8,918,130	53.8%
<i>Support Allocations - Nodal Program</i>	(65,628)	(287,931)	(75,000)	-	75,000	-100.0%
<i>Backfill Allocations - Nodal Program</i>	(45,866)	(374,372)	(445,000)	-	445,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	-	(1,131,226)	(1,000,000)	-	1,000,000	-100.0%
Subtotal - Allocations - Nodal Program	(111,494)	(1,793,529)	(1,520,000)	-	1,520,000	-100.0%
<i>Material, Supplies, Tools & Equipment</i>	368,656	347,177	343,805	350,505	6,700	1.9%
<i>Special Reviews</i>	-	-	-	-	-	NA
<i>Outside Services</i>	1,045,059	2,279,701	2,836,830	7,676,940	4,840,110	170.6%
<i>Utilities, Maintenance & Facilities</i>	3,283,139	2,644,909	3,247,050	3,739,230	492,180	15.2%
<i>HW/SW License and Maintenance</i>	7,634,923	9,328,909	9,303,714	12,574,694	3,270,980	35.2%
<i>Insurance</i>	-	-	-	-	-	NA
<i>Employee Expenses</i>	397,326	378,489	572,400	592,500	20,100	3.5%
<i>Depreciation & Amortization</i>	-	-	-	-	-	NA
<i>Interest & Fees</i>	-	-	-	-	-	NA
<i>Property Taxes</i>	-	-	-	-	-	NA
<i>NERC Dues</i>	-	-	-	-	-	NA
<i>Other</i>	329,747	297,371	148,550	1,389,889	1,241,339	835.6%
Total - Information Technology	26,111,669	27,563,578	31,505,566	51,815,105	20,309,539	64.5%

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Expenditure Summary by Office

	2006 Actual	2007 Actual	2008 Budget	2009 Requested	2008 Budget vs. 2009 Requested	
					\$ Variance	% Variance
Market Operations						
<i>Labor & Benefits</i>	13,504,416	14,988,182	17,817,461	17,791,719	(25,742)	-0.1%
<i>Labor for Capital Projects</i>	(1,350,328)	(1,068,324)	(2,410,954)	(3,371,550)	(960,596)	39.8%
<i>Labor for Nodal</i>	(1,155,163)	(2,953,403)	(4,362,773)	-	4,362,773	-100.0%
Subtotal - Labor & Benefits	10,998,926	10,966,455	11,043,735	14,420,169	3,376,435	30.6%
<i>Support Allocations - Nodal Program</i>	(309,998)	(844,171)	(110,000)	-	110,000	-100.0%
<i>Backfill Allocations - Nodal Program</i>	(334,490)	(999,015)	(600,000)	-	600,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	-	-	-	-	-	NA
Subtotal - Allocations - Nodal Program	(644,488)	(1,843,186)	(710,000)	-	710,000	-100.0%
<i>Material, Supplies, Tools & Equipment</i>	28,088	10,245	14,050	20,300	6,250	44.5%
<i>Special Reviews</i>	-	-	-	-	-	NA
<i>Outside Services</i>	1,830,583	2,746,695	3,291,792	2,589,452	(702,340)	-21.3%
<i>Utilities, Maintenance & Facilities</i>	29,497	16,048	40,600	40,750	150	0.4%
<i>HW/SW License and Maintenance</i>	401	9,656	-	-	-	NA
<i>Insurance</i>	-	-	-	-	-	NA
<i>Employee Expenses</i>	229,203	310,046	458,302	392,500	(65,802)	-14.4%
<i>Interest & Fees</i>	-	-	-	-	-	NA
<i>Property Taxes</i>	-	-	-	-	-	NA
<i>NERC Dues</i>	-	-	-	-	-	NA
<i>Other</i>	106,941	93,281	164,100	164,600	500	0.3%
Total - Market Operations	12,579,152	12,309,241	14,302,579	17,627,771	3,325,193	23.2%

ERCOT Fiscal Year 2009 Budget

Expenditure Summary by Office

	2006 Actual	2007 Actual	2008 Budget	2009 Requested	2008 Budget vs. 2009 Requested	
					\$ Variance	% Variance
System Operations						
<i>Labor & Benefits</i>	16,478,797	19,236,296	23,142,831	24,913,727	1,770,895	7.7%
<i>Labor for Capital Projects</i>	(377,686)	(257,663)	(89,908)	(771,316)	(681,408)	757.9%
<i>Labor for Nodal</i>	(1,334,609)	(2,951,120)	(4,791,115)	-	4,791,115	-100.0%
<i>Subtotal - Labor & Benefits</i>	14,766,502	16,027,513	18,261,808	24,142,411	5,880,603	32.2%
<i>Support Allocations - Nodal Program</i>	(258,437)	(531,891)	(296,000)	-	296,000	-100.0%
<i>Backfill Allocations - Nodal Program</i>	(532)	(128,742)	(400,000)	-	400,000	-100.0%
<i>Facilities Allocations - Nodal Program</i>	-	-	-	-	-	NA
<i>Subtotal - Allocations - Nodal Program</i>	(258,969)	(660,633)	(696,000)	-	696,000	-100.0%
<i>Material, Supplies, Tools & Equipment</i>	43,425	25,486	17,650	24,900	7,250	41.1%
<i>Special Reviews</i>	-	-	-	-	-	NA
<i>Outside Services</i>	1,072,112	2,833,931	4,083,474	3,994,319	(89,155)	-2.2%
<i>Utilities, Maintenance & Facilities</i>	100,000	1,267	-	-	-	NA
<i>HW/SW License and Maintenance</i>	742	12,202	-	-	-	NA
<i>Insurance</i>	-	-	-	-	-	NA
<i>Employee Expenses</i>	345,763	366,895	582,432	515,000	(67,432)	-11.6%
<i>Interest & Fees</i>	-	-	-	-	-	NA
<i>Property Taxes</i>	-	-	-	-	-	NA
<i>NERC Dues</i>	-	963,138	-	-	-	NA
<i>Other</i>	226,469	195,289	253,000	75,100	(177,900)	-70.3%
Total - System Operations	16,296,044	19,765,088	22,502,364	28,751,730	6,249,366	27.8%

ERCOT Fiscal Year 2009 Budget

Outside Services Expense Detail

Line	Office	Dept	Description of Service(s)	2009 Requested	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
1	IO	300	Nodal post Go-Live Fixes and Enhancements	2,188,280	Anticipated need to fund Nodal market systems vendors professional services for post-go live bug fixes	Lack of internal expertise with these vendor systems and anticipated volume of work	Delayed delivery of bug fixes during the post nodal go live stabilization period
2	SO	410	Potomac Economics - Independent Market Monitor (IMM) Fees - contract in place	1,700,000	The Independent Market Monitor is responsible for monitoring the wholesale electricity market in the ERCOT power region, including all markets for energy, ancillary services, and congestion revenue rights, and monitoring all aspects of ERCOT's operations that effect supply, demand, and the efficient functioning of the competitive wholesale electricity market.	Independent third party monitoring is required for compliance.	ERCOT would be out of compliance.
3	MO	630	Outsourced 24X7 call center; postcard printing and mailing; switch cancellation processing and databases services.	1,263,960	This activity is required under the ERCOT Protocols and the Public Utility Regulatory Act as stated in the Customer Protection Rules of the Public Utility Commission of Texas.	This function would require ERCOT to operate and maintain a 24X7 customer call center, as well as operate a mass volume printing and mailing service for the creation and distribution of the daily notices. To date, the outsourced solution has been a more viable option from a cost perspective.	Non-compliance of protocols and state utility regulations.
4	MO	550	Zonal backfill for Nodal transition - 9 contractors	1,007,100	ERCOT will maintain both zonal and nodal activities for at least the first 6 months after nodal goes live. Once the zonal market activities cease completely, the contract staff will roll off.	Not feasible to hire the additional FTEs to manage both markets and then lay off when zonal ceases.	No resources to operate the zonal market.

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Outside Services Expense Detail

Line	Office	Dept	Description of Service(s)	2009 Requested	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
5	CO	180	Performance of required Statement on Auditing Standard SAS70 Type II External Audit	808,500	These audits are required by ERCOT By-Laws and Sarbanes-Oxley requirements that are in place for our Market Participants. PwC is performing the audit in 2007 and PwC is ERCOT's external auditor. Protocol Section 1.4 Operational Audit, requires an annual operational or "settlements" audit, otherwise commonly known as the SAS70 Type II Audit. Note: The SAS70 budget for 2009 is escalated by an additional 5 percent (plus an expected inflation adjustment of 5 percent) above the 2008 budget to allow for the uncertainties caused by the transition from Zonal to Nodal. The transition from Zonal to Nodal during the 2009 SAS70 Audit testing period of October 1, 2008, through September 30, 2009, will create an undetermined amount of additional work on the part of the external audit team.	SAS70 Audits are required to be performed by an external independent certified public accounting firm.	ERCOT could not express an independent opinion on the adequacy and effectiveness of the internal control environment. ERCOT would not be in compliance with Protocol Section 1.4 Operational Audit. This Protocol requires an annual operational or "settlement"
6	IO	300	Staff Augmentation for Market systems integration during post-Nodal go live stabilization period	750,000	Software integration professional services needed to build, support, and troubleshoot Nodal defect and project work.	Inadequate permanent FTE staff resources to perform the anticipated volume of work associated with Nodal go-live stabilization issues. These resources will not be required long-term.	Inability to react quickly to stabilization issues related to the Nodal market systems, potentially resulting in market outages while issues are being resolved.
7	IO	300	Staff Augmentation for Nodal market data warehousing and reporting during post-Nodal go live stabilization period	702,000	Services are needed to support bug fix and stabilization efforts relating to data extracts and reports during go-live without sacrificing service to PUCT (Public Utilities Commission of Texas), Market Participants, or internal ERCOT customers.	Work load during this period of time is expected to be at a level that cannot be managed by existing staff. However, it is also expected to be short-term during the stabilization period. Therefore, additional headcount for this purpose is not needed and staff augmentation is requested.	Delays in analysis, development, testing, and implementation of nodal bug fixes. Delays in service provided to internal ERCOT customers, PUCT (Public Utilities Commission of Texas) requests, or Market Participants requests.
8	CO	101	Expenses associated with the ongoing support and administration of the Board of Directors <ul style="list-style-type: none"> • Independent member compensation • Member replacement • Business expense reimbursement • Special meetings and retreats as necessary 	600,000	ERCOT is governed by a board of directors made up of independent members, consumers and representatives from each of ERCOT's electric market segments.	Governance structure requires board oversight and inclusion of independent members	Failure to comply with governance requirements.

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Outside Services Expense Detail

Line	Office	Dept	Description of Service(s)	2009 Requested	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
9	SO	410	Staff augmentation to assist with analysis and reporting	576,000	During the Market Management System (MMS) walkthrough with ABB in late 2007 there were a number of enhancements to the ABB deliverables that were identified to aid in gathering information or make the information from MMS more user ready for analysis. During the deep dive process, the expectation was that these enhancements would be in production prior to Nodal go-live. Since then, these enhancements have been removed from ABB's go-live deliverables and now being placed in the 2009 capital projects budget as a discretionary item. If either (1) the enhancements are incorporated into production in early 2009 or (2) it's determined that the current staff is sufficient to perform all the required Nodal activities, this item can be removed.	No additional resource bandwidth.	Market Operations Support activities will need to be prioritized and those items with the lowest priority will not be performed even though they may be high value to ERCOT.
10	IO	300	Staff Augmentation for Market systems during post-Nodal go live stabilization period	566,400	Stabilization and maintenance of Nodal Market Systems. These contract labor resources will focus on debugging software issues, coordinating and implementing patch releases, maintenance of source code and of the development environment. These resources will also participate in 2009 NPRR/mandates and stabilization projects.	These resources are seasoned professionals with substantial experience managing these software platforms. ERCOT staff in this area are comparatively inexperienced and may not initially be able to provide the quick turnaround required by the ERCOT market.	Inability to react quickly to stabilization issues related to the Nodal market systems, potentially resulting in market outages while issues are being resolved.
11	IO	300	Nodal Support Contractor	552,000	Necessary to augment resources during the transition the Zonal to the Nodal market systems.	Inadequate permanent FTE staff resources to perform the anticipated volume of work associated with Nodal go-live stabilization issues. These resources will not be required long-term.	Risk to the success of the migrations from DEV to EDS and Production for the Nodal program
12	CO	120	Outside Legal Services regarding litigation or areas requiring specialized legal knowledge and skills not possessed by in-house legal staff.	549,996	The services are necessary because with a Legal Dept. as small as ERCOT's, it is impossible to have attorneys who possess all the knowledge and skills required for all legal issues confronting the company (e.g. Employee Retirement Income Security Act (ERISA), bankruptcy, antitrust, litigation, etc.)	The services are necessary because with a Legal Dept. as small as ERCOT's, it is impossible to have attorneys who possess all the knowledge and skills required for all legal issues confronting the company.	The legal services could not be provided and the company could decide to take the risk of not complying with the law and/or governmental rules and regulations.

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Outside Services Expense Detail

Line	Office	Dept	Description of Service(s)	2009 Requested	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
13	SO	450	Consulting support to assist with: - live Congestion Revenue Rights market activity - Congestion Revenue Rights (CRR) ITEST - market trials by resources that are highly knowledgeable with ERCOT's CRR software.	400,000	New staff will be learning new software and will need to assist market participants with their interactions with this system. Although a minimal level of vendor support (8 hours per month) is available through system license agreements, it will not be sufficient to handle the expected demand.	A highly effective way to learn new software is to work alongside an experienced user. Since ERCOT will have new staff learning new software, having access to highly knowledgeable (vendor) support should ensure a successful Congestion Revenue Rights (CRR) market implementation.	Without access to highly knowledgeable vendor support to respond to market participant questions and concerns, market participants are likely to be dissatisfied with CRR market implementation resulting in a higher level of questions and disputes. If this situation is allowed to persist, market participants are likely to fix the Congestion Revenue Rights market through protocol revisions or PUCT rule changes. These activities result in a higher level of ERCOT response in other areas (Market Services / External Relations).
14	IO	300	Release Coordinator - is charged with the tracking, scheduling, and Coordination of changes to ERCOT's production environment.	384,000	Nodal development efforts require additional staffing levels than were previously experienced with zonal due to the additional nodal functional areas (Congestion Revenue Rights (CRR), Nodal Market Management System (NMMS), Credit Monitoring and Management (CMM)), more intense integration, triple the number of supported servers, and the increase in volume of all functional areas.	The ERCOT Full Time Equivalents (FTE) Release Management team is currently staffed for the existing zonal, pre-nodal project, functional areas and level of release complexity. The current FTE staff will not suffice for steady state post nodal go-live.	Full Time Equivalents (FTEs) are working at above maximum capacity but coverage is stretched to the point where quality is decreasing. These resources will mitigate the risk of increased service degradation to test and production controlled environments.
15	SO	420	Black Start Study - Simulation of complete restoration procedure as described in NERC EOP-005 R7	350,000	To be compliant with NERC requirement EOP-005 R7, ERCOT must complete simulation of restoration procedures. We are meeting this standard with current processes, but feel it is important to strengthen our compliance.	Requires specialized expertise and tools.	ERCOT will not have a solid criteria for testing the feasibility of ERCOT Black Start plan. In addition, ERCOT may not clearly comply with North American Electric Reliability Corporation (NERC) requirement EOP-005-1 R7.
16	CO	111	Cash/Banking Services - Bank service fees including wire fees, account maintenance fees and lockbox deposits.	325,200	ERCOT will be required to increase its banking services under the Nodal market primarily due to the addition of the Day-ahead and the Congestion Revenue Rights (CRR) markets.	Required bank services.	Inability to process cash payments and/or deposits.
17	CO	130	Immigration Assistance	324,000	These fees cover the specialized legal expertise in the immigration area as well as the filing fees associated with the hiring of non-US citizens. These fees are increasing at a rapid rate and are required to recruit for power engineers and certain Information Technology functions.	The legal expertise in immigration is a very specialized area and ERCOT does not require a full-time position. Approximate 1/2 of the expense in this area is for legal services and the rest covers the actual fees.	If we do not pay for the immigration process for our new employees, we would not be able to staff many of the functions or meet the required needs of the nodal project. Ongoing expenses for current employees are approximately 70%.
18	IO	300	Staff Augmentation for the Nodal market database systems during post-Nodal go live ERCOT Public Stabilization period.	306,000	The volume of work anticipated with the Nodal market going live will likely exceed available staff resources.	The quantity of issues may be too great to handle in an acceptable time frame.	Delay in deliverables and potential operational problems

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Outside Services Expense Detail

Line	Office	Dept	Description of Service(s)	2009 Requested	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
19	IO	300	PPM administrator - - charged with performing development and testing of required modifications to existing workflows and processes and maintenance of PPM.	278,400	To perform development, implementation into production, and maintenance for the existing tool.	The skill set and staff resources are not present.	ERCOT has invested significant resources in tools that provide a coordinated software release and management approach, if these tools are not utilized with post-Nodal go live stabilization activities it will likely lead to continued problems later.
20	IO	300	TripWire support - charged with completing requests to activate tripwire on additional servers with auto email notifications/ reports enabled and provide training.	262,320	To perform services to utilize the Tripwire application for it's intended purpose. To integrate with PPM tool so unauthorized changes are detected and proper attention/resolution is provided for unauthorized actions.	The skill set and the bandwidth is not present.	Underutilization of a powerful configuration management tool that when used properly will more quickly remediate Nodal go live stabilization issues.
21	CO	101	Based on historical trending, each year independent studies/reviews are requested by regulatory bodies and/or ERCOT management to ensure effective and efficient organization and market operations.	200,000	Organizational/Market procedural assessment/review	Outside consultant brings independence and expertise that is not available within current ERCOT resources.	Ineffective and inefficient policies and processes could exist and remain unidentified with ERCOT and the market.
22	CO	325	Voice/Data cabling data center assistance - provides the voice, data, fiber optic, and video cabling necessary, for advanced networks at ERCOT.	200,000	The facilities department is responsible for data center and office area voice/data fiber optic and video cabling. We have one FTE position within the department to perform the steady state work and utilize contractors for peak activities.	ERCOT is experiencing significantly higher demand for this service and therefore require the requested funding for outside services	If ERCOT does not procure this service there will be delays on cabling requests.
23	CO	370	Security assessment of a sample of ERCOT's applications for vulnerabilities and exploits. The assessment will identify exploitable Application vulnerabilities that exist in the ERCOT Information Technology systems. Creation of a remediation action plan for all identified security issues.	200,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, ERCOT cannot be compliant for North American Electric Reliability Corporation (NERC) CIP 7 R8 which states "The Responsible Entity shall perform a cyber vulnerability assessment of all Cyber Assets within the Electronic Security Perimeter at least annually."	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing application vulnerabilities, exploits or threats.
24	CO	370	Security assessment of a sample of ERCOT's databases for vulnerabilities that may lead to exploits where critical information may be destroyed, altered or disclosed. Creation of a remediation action plan for all identified security issues.	200,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, the assessment results will be used for SAS70 CO 14.1.4 which states "System configuration requirements	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing database vulnerabilities, exploits or threats.

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Outside Services Expense Detail

Line	Office	Dept	Description of Service(s)	2009 Requested	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
25	IO	300	ClearCase administrator - charged with performing daily/weekly manual activities and maintenance of Clear Case.	192,000	To perform development, implementation into production, and maintenance for the existing tool.	The skill set and staff resources are not present.	ERCOT has invested significant resources in tools that provide a coordinated software release and management approach, if these tools are not utilized with post-Nodal go live stabilization activities it will likely lead to continued problems later.
26	CO	370	Security assessment of ERCOT's Electronic Security Perimeter around Critical Cyber Assets in accordance with requirement R4 of North American Electric Reliability Corporation (NERC) CIP 005-01. The testing will identify exploitable access point vulnerable	180,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, ERCOT cannot be compliant for North American Electric Reliability Corporation (NERC) CIP 5.4 which states "Cyber Vulnerability Assessment — The Responsibility	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing Internet facing vulnerabilities or threats. Failure of North American Electric Reliability Corporation (NERC) CIP 5 R4
27	CO	114	Financial Audit - Price Waterhouse Cooper	175,000	Public Utility Commission of Texas (PUCT) rules	Must be performed by External auditing firm	Inability to get credit, obtain affordable insurance, or establish reasonable vendor relations.
28	CO	114	Property Tax services (Rash & Associates)	140,000	To ensure property tax rates from taxing authorities are accurate. Amount paid is directly linked to savings achieved for ERCOT.	ERCOT accounting staff does not have necessary expertise in property valuations and associated tax strategies to effectively represent ERCOT with tax authorities.	May over pay property taxes
29	CO	702	Non- Statutory services related to Texas Regional Entity (TRE)	128,650	Services such as Board of Trustee Fees, Support Allocation, Audit, Legal Fees, and Insurance are necessary for the operation of the Regional Entity	Staffing level and skills necessary are not sufficient to perform these critical services.	Risks associated with legal and insurance exposure and non compliance issues.
30	IO	300	OSIsoft PI development and/or consulting expertise	120,000	Functional requirements will likely be discovered once the Nodal market is live.	ERCOT does not have FTE resources with this skill set.	Some business requirements will not be met.
31	IO	302	Staff augmentation for administrative work relating to software license compliance activities and contract administration	120,000	Renewal of hardware/software maintenance and renewable license agreements and activities related to software license compliance. ERCOT compliance.	Lack of internal resources	Potential non-compliance with software license agreements and late renewal of hardware and software maintenance contracts.
32	IO	345	Areva Software Support for Non-Standard Products	120,000	These cost are not covered by the Standard Product Areva support agreement and these are critical to Energy and Market Monitoring Systems (EMMS) production operation.	Some Software source is not provided by Areva and some internals of the Market Operating System (MOS) are best modified by Areva.	Areva could refuse to service critical parts of the Zonal Market operating system and some sections of the Energy Monitoring System leading to excessive downtime.

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Outside Services Expense Detail

Line	Office	Dept	Description of Service(s)	2009 Requested	Why are Services Necessary	Why Can't Staff Perform Tasks	Consequence(s) of Not Procuring Services
33	IO	357	Applications Security enhancements (previously PMO Tools upgrade)	120,000	ERCOT engaged a vendor to complete an assessment of application security which included 22 web applications, 3 code reviews, 3 threat models and 1 Web service review. Recommendations were made in the following areas: infrastructure, authentication, authorization, data validation, sensitive data, session management, configuration management and exception management. These remediation areas have been classified by Risk and Priority. Some of the applications included are: TML, REC, ERCOT.COM, Outage Scheduler, ETOD, Siebel, MarkeTrak, AppWorx, Intranet, EDW, ETOD, NAESB/Paperfree. This project will review and address recommendations that can not be addressed in 2008.	This service will be performed along with ERCOT staff. Specific security expertise will be needed in several areas.	Potential Cyber attacks, data corruption, confidential data leaks, etc.
34	IO	300	Staff Augmentation for the Nodal market MIS, CDR, VBP and MPIM systems during post-Nodal go live stabilization period.	112,000	The volume of work anticipated with the Nodal market going live will likely exceed available staff resources.	This service will be performed along with ERCOT staff. Nodal will be transitioned as much as possible. However, to meet the demands of support in a timely and quality manner, it will be necessary to engage resources who have had direct experience on these projects.	Not meeting protocols and/or delivering requested functions to stabilize Nodal in an appropriate time frame.
35	CO	370	Security assessment of ERCOT's internal network assets from an external and internal perspective. The security assessment will identify exploitable vulnerabilities that exist on the ERCOT network and operating systems.	100,000	In order to show due diligence and non partiality, it is best practice to have these types of assessments performed by an external party. In addition, ERCOT cannot be compliant for North American Electric Reliability Corporation (NERC) CIP 7 R8 which states "The Responsible Entity shall perform a cyber vulnerability assessment of all Cyber Assets within the Electronic Security Perimeter at least annually."	A significant contribution of this type of service is the peer review concept where the use of outsiders confirms or corrects the staff view of the security model.	ERCOT's security posture may be compromised because of changing security vulnerabilities, exploits or threats.
36	MO	550	Consultant review of Verifiable Cost submittals	100,000	To review submission data for Verifiable Costs.	Expertise in power plant operations, which staff do not have, is critical to verify the costs; external consultants provide independent review of submissions.	Possibility of inaccurate verifiable costs which would result in disputes and potentially cost the market millions of dollars.

