



**TEXAS  
REGIONAL  
ENTITY™**

*An Independent Division of ERCOT*

# Texas Regional Entity Financial Report

July 2008 & Year-to-Date  
Financial Overview  
August 18, 2008

# Texas RE Financial Accomplishments

- ✓ No material recommendations for 2009 budget changes from NERC.
  - ✓ Texas RE made a few presentation edits for consistency with the other Regional Entities.
  - ✓ All Regional Entity Budgets and NERC Budget approved by the NERC BOT on July 30th.
- ✓ Completed and submitted the 2<sup>nd</sup> Quarter NERC reporting package.
- ✓ Recorded unbudgeted YTD interest income of \$77K.
- ✓ Texas RE is still building cash reserves; however at a much diminished rate, due to increases in spending.

# July 2008 & YTD Actual Workforce

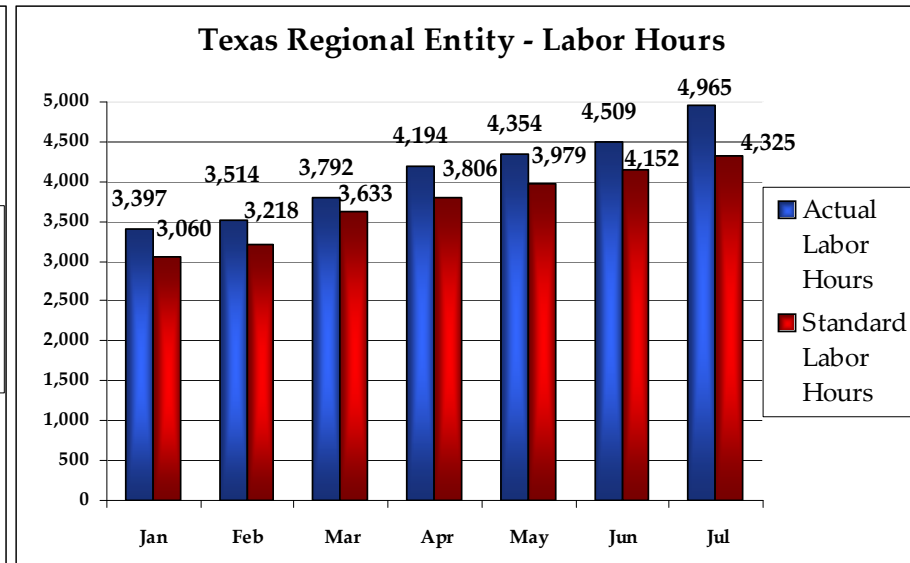
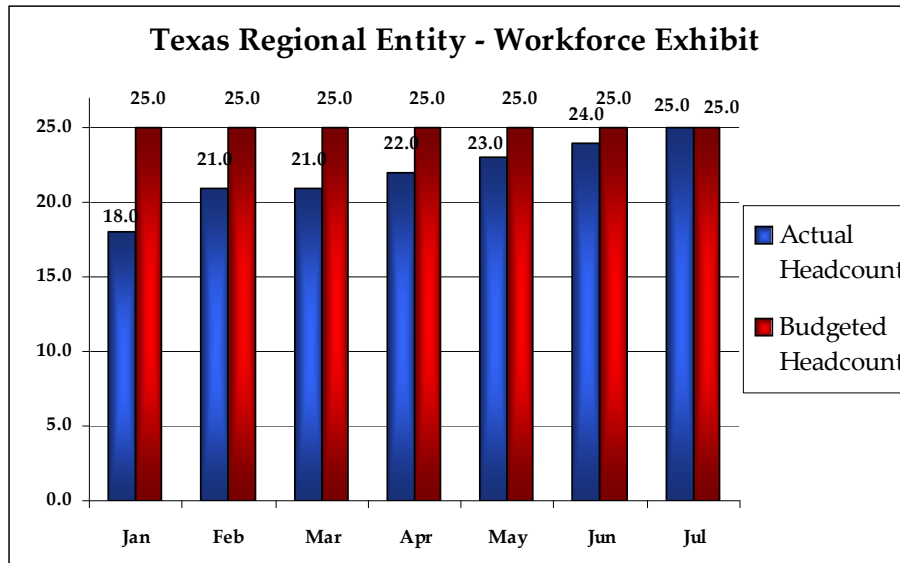
## Texas Regional Entity

### Headcount

#### Statutory & Non-Statutory Combined

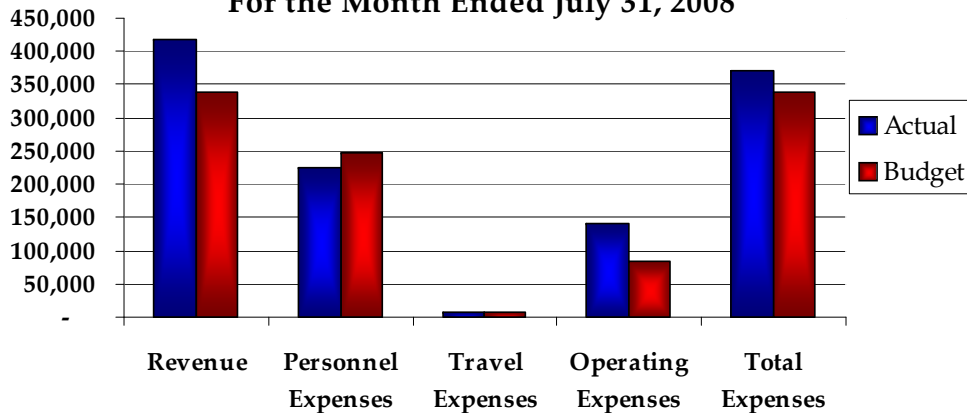
For the Period Ended July 31, 2008

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual Headcount	18.0	21.0	21.0	22.0	23.0	24.0	25.0					
Budgeted Headcount	25.0	25.0	25.0	25.0	25.0	25.0	25.0					
<b>Variance Under/(Over)</b>	7.0	4.0	4.0	3.0	2.0	1.0	-					
Actual Labor Hours	3,397	3,514	3,792	4,194	4,354	4,509	4,965					
Standard Labor Hours	3,060	3,218	3,633	3,806	3,979	4,152	4,325					
<b>Variance Under/(Over)</b>	(337)	(296)	(159)	(388)	(375)	(357)	(640)					



# July 2008 & YTD Operating Expenses

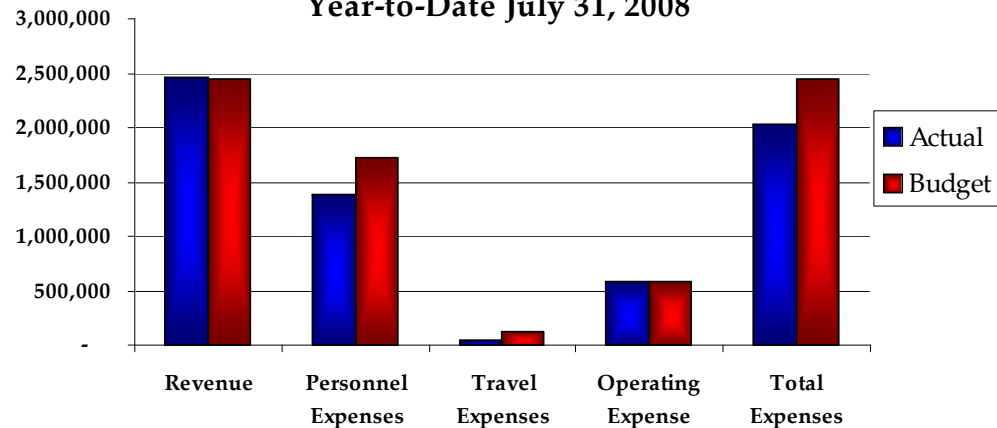
**Texas RE - Income Statement by Segment  
Consolidated Statutory & Non-Statutory  
For the Month Ended July 31, 2008**



**July 2008 & YTD Comments**

- ➔ **Revenue** - Revenue for the month and year-to-date is higher than plan, due to interest income earnings on excess cash.
- ➔ **Personnel Expenses** - Lower for the month & YTD due to personnel vacancies.
- ➔ **Travel & Meetings Expenses** - Lower due to personnel vacancies and because Texas RE did not pay for the Operator Training Seminar.
- ➔ **Operating Expenses** - For the month, trending higher due to the ICF policies & procedures engagement and due to the higher MOU rates we are paying, versus the plan. YTD slightly less than plan due to underspending on the contingency reserve and personnel vacancies.

**Texas RE - Income Statement by Segment  
Consolidated Statutory & Non-Statutory  
Year-to-Date July 31, 2008**



# July 2008 & YTD Operating Expenses

Texas Regional Entity  
Income Statement  
Consolidated  
For the Period Ended July 31, 2008  
Unaudited

		Period to Date			Year to Date			Annual
		Actual	Budget	Difference	Actual	Budget	Difference	Budget
<b>Revenue</b>	1-Assessments	339,570	339,571	0	2,376,996	2,376,996	-	4,074,848
	2-Workshops	-	-	-	-	63,000	(63,000)	70,000
	3-Interest Income	77,566	-	77,566	77,566	-	77,566	-
<b>Total Revenue</b>		<b>417,136</b>	<b>339,571</b>	<b>77,566</b>	<b>2,454,562</b>	<b>2,439,996</b>	<b>14,566</b>	<b>4,144,848</b>
<b>Personnel Expenses</b>	1-Salaries	178,520	186,899	8,379	1,070,478	1,308,290	237,812	2,242,782
	2-Payroll Taxes	13,668	15,513	1,844	85,863	108,588	22,725	186,151
	3-Employee Benefits	8,626	22,428	13,802	98,905	156,995	58,090	269,134
	4-Saving and Retirement	23,651	21,867	(1,784)	136,455	153,070	16,615	262,406
<b>Subtotal Personnel Expenses</b>		<b>224,465</b>	<b>246,706</b>	<b>22,242</b>	<b>1,391,701</b>	<b>1,726,943</b>	<b>335,242</b>	<b>2,960,473</b>
<b>Travel &amp; Meetings</b>	1-Meetings	163	353	190	2,499	65,473	62,974	74,240
	2-Travel	6,751	8,095	1,344	49,217	56,662	7,445	97,135
<b>Subtotal Travel &amp; Meetings</b>		<b>6,914</b>	<b>8,448</b>	<b>1,534</b>	<b>51,716</b>	<b>122,136</b>	<b>70,419</b>	<b>171,375</b>
<b>Operating Expenses</b>	1-Rent & Improvements	9,835	9,333	(502)	68,845	65,333	(3,511)	112,000
	2-Consultant	42,412	8,417	(33,995)	185,595	58,917	(126,679)	101,000
	3-Office Costs	14,618	1,625	(12,993)	26,065	11,375	(14,690)	20,000
	4-Professional Services	56,467	28,167	(28,300)	191,993	197,167	5,174	338,000
	5-Computer Purchase & Main	19,326	12,250	(7,076)	109,662	85,750	(23,912)	147,000
	6-Other	(1,995)	24,625	26,620	1,717	172,375	170,658	295,000
<b>Subtotal Operating Expenses</b>		<b>140,662</b>	<b>84,417</b>	<b>(56,246)</b>	<b>583,878</b>	<b>590,917</b>	<b>7,039</b>	<b>1,013,000</b>
<b>Total Expenses</b>		<b>372,041</b>	<b>339,571</b>	<b>(32,470)</b>	<b>2,027,295</b>	<b>2,439,996</b>	<b>412,701</b>	<b>4,144,848</b>
<b>(Over) / Under</b>		<b>45,096</b>	<b>(0)</b>	<b>45,096</b>	<b>427,267</b>	<b>(0)</b>	<b>427,267</b>	<b>(0)</b>

## MEMORANDUM

To: Bruce E. Walenczyk, CFO NERC  
Susan Turpen, Senior Accountant, NERC

From: Todd Brewer, Senior Financial Analyst, Texas RE

CC: Larry Grimm, CCO, Texas RE

Date: July 18, 2008

Re: 2<sup>nd</sup> Quarter Statement of Activities Reporting

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Dear Bruce,

Attached is Texas Regional Entity's (Texas RE) 2<sup>nd</sup> quarter statement of activities report. Texas RE is forecasting its expenses from the budgeted amount, due to the expectation that a higher expense trend is imminent. The variances for 2<sup>nd</sup> quarter are as follows:

### INCOME

- There aren't any variances related to assessments year-to-date, the receipts are as expected in the budget. However, the operator training will not be incurred by Texas RE and so will be a permanent revenue variance.

### EXPENSES

- **Personnel Expenses** (Actual – \$116K under budget year-to-date)
  - Salary expenses are approximately \$55K under budget due to FTE vacancies year-to-date. The budget included 25 FTEs that were fully funded throughout the year. During the 2<sup>nd</sup> quarter Texas RE made significant strides in staffing and we had closed the gap to less than 1 vacancy. Subsequent toward the end of the second quarter, Texas RE again has 2 open positions that are expected to be filled before the end of the 3<sup>rd</sup> quarter.
  - Payroll taxes are a function of the salary expense and are \$6K below budget. As the FTEs have been lower than planned, so too is the expense.
  - Employee benefits were planned at full staff and assumed the highest possible benefit plan selection by employees. Actual results of benefit selection and vacancies in staffing have caused the expense in this category to be lower than planned by \$22K. Additionally, an adjusting entry posted in June based on the 2007 agreed upon procedures audit. The amount of the adjustment was \$32K.
  - Savings and Retirement is on target for plan.
- **Meetings** (Actual – \$63K under budget year-to-date)
  - The Operations Training Seminar was not conducted by Texas RE and therefore did not incur the expense. This will be a permanent variance. Texas RE will incur expenses associated with 2 seminars to be conducted in the 4<sup>th</sup> quarter of 2008.
- **Travel** (Actual – \$3K under budget year-to-date)

- Budget assumed full staffing and hiring delays have decreased expenditures. The plan was evenly distributed throughout the year and the trend has begun to increase. We expect these expenditures to continue to increase from the 3<sup>rd</sup> quarter onward.
- **Rent & Improvements** (Actual – \$9K over budget year-to-date)
  - The rent expense projected for 2008 is slightly higher based on the amount of rentable square footage (RSF) occupied and utilized by Texas RE. The memorandum of understanding between ERCOT and Texas RE adjusted the rent expense based on RSF and rates.
- **Contracts & Consultants** (Actual – \$84K over budget year-to-date)
  - The support service expenses (HR, Treasury, Finance, Board of Directors & Procurement) related to the memorandum of understanding between ERCOT and Texas RE are running significantly higher than originally planned.
- **Office Costs** (Actual – \$3K over budget year-to-date)
  - Texas RE is incurring higher costs due to increases in printing, consumable supplies, shipping & FedEx.
- **Professional Services** (Actual – \$7K above budget year-to-date)
  - Legal expenses have been trending higher due to work related to registration and certification.
- **Computer Purchase & Maint.** (Actual – \$20K over budget year-to-date)
  - Incurred unplanned expenses for computer related software and the IT allocation per the MOU agreement between ERCOT and Texas RE.
  - The forecast includes the increased IT allocation, software and to a lesser extent, hardware related expenses for compliance related technology improvement projects. The source of funding for the projected overspending is to come from unspent 2007 funds.
- **Miscellaneous** (Actual – \$144K under budget year-to-date)
  - Original budget established a contingency reserve of \$295K within this category. The contingency reserve is projected to be expended across multiple accounts that are forecast to be trending higher than plan.

As you are reviewing the enclosed analysis and supporting documentation, please do not hesitate to contact me at 512.225.7031 or Larry Grimm at 512.225.7025 with questions or concerns.

Best Regards,

Todd Brewer,  
Senior Financial Analyst  
Texas Regional Entity

**TEXAS REGIONAL ENTITY**  
Quarterly Statement of Activities  
For the Quarter Ended 06/30/2008  
(Unaudited)

(In Whole Dollars)

	<b>2008 YTD Actual</b>	<b>2008 YTD Budget</b>	<b>2008 YTD Variance</b>	<b>2008 Projection</b>	<b>2008 Budget</b>	<b>2008 Projected Variance</b>
<b>Funding</b>						
Assessments	1,613,033	1,613,033	-	3,226,066	3,226,066	-
Testing	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	63,000	(63,000)	-	70,000	(70,000)
Interest	-	-	-	92,500	-	92,500
Misc.	-	-	-	-	-	-
<b>Total Funding</b>	<b>1,613,033</b>	<b>1,676,033</b>	<b>(63,000)</b>	<b>3,318,566</b>	<b>3,296,066</b>	<b>22,500</b>
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	803,471	859,144	(55,673)	1,830,426	1,718,288	112,139
Payroll Taxes	64,924	71,309	(6,385)	145,146	142,618	2,528
Employee Benefits	49,158	103,097	(53,939)	141,783	206,195	(64,412)
Savings & Retirement	100,680	100,520	160	224,793	201,040	23,753
<b>Total Personnel Expenses</b>	<b>1,018,233</b>	<b>1,134,070</b>	<b>(115,837)</b>	<b>2,342,148</b>	<b>2,268,140</b>	<b>74,007</b>
<b>Meeting Expenses</b>						
Meetings	2,306	65,120	(62,814)	13,480	74,240	(60,760)
Travel	43,978	46,618	(2,640)	96,479	93,235	3,244
Conference Calls	-	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>46,284</b>	<b>111,738</b>	<b>(65,454)</b>	<b>109,959</b>	<b>167,475</b>	<b>(57,516)</b>
<b>Operating Expenses</b>						
Rent & Improvements	48,877	40,000	8,877	134,755	80,000	54,755
Contracts & Consultants	128,376	44,500	83,876	322,456	89,000	233,456
Office Costs	11,258	8,475	2,783	38,669	16,950	21,719
Professional Services	135,144	128,000	7,144	295,803	256,000	39,803
Computer Purchase & Maint.	81,556	61,500	20,056	610,278	123,000	487,278
Miscellaneous & Contingency	3,340	147,750	(144,410)	68,804	295,500	(226,696)
<b>Total Operating Expenses</b>	<b>408,550</b>	<b>430,225</b>	<b>(21,675)</b>	<b>1,470,765</b>	<b>860,450</b>	<b>610,315</b>
<b>Total Expenses</b>	<b>1,473,068</b>	<b>1,676,033</b>	<b>(202,965)</b>	<b>3,922,872</b>	<b>3,296,066</b>	<b>626,806</b>
<b>Change in Net Assets</b>	<b>139,965</b>	<b>0</b>	<b>139,965</b>	<b>(604,306)</b>	<b>0</b>	<b>(604,306)</b>