



**Date:** January 13, 2009  
**To:** ERCOT Board of Directors  
**From:** Clifton Karnei, Chair, Finance & Audit Committee  
**Subject:** ERCOT 2009 Revised Budget

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** January 20, 2009

**Agenda Item No.:** 15a

**Issue:**

Whether to approve ERCOT's proposed 2009 Revised Base Operating Budget, which includes operating and maintenance expenses, capital requirements, and debt service obligations for ERCOT's base operations. Note, ERCOT's base operations do not include activity relating to the implementation of the Nodal Program.

**Background/History:**

As discussed at the Board of Directors ("Board") meeting held on November 17, 2008, delays in the implementation of the Nodal Program and preparation of an updated Nodal Program budget led ERCOT management to (1) revise the 2009 base operating budget that was approved by the Board in May 2008 and (2) pursue a two-step budget approval process for the 2009 Revised Base Operating Budget with the Board.

Step One - In December 2008, the Board approved a one-month base operating budget for activity and transactions expected to occur in January 2009 (Attachment B).

Step Two – In January 2009, the Board will be asked to approve a twelve-month 2009 Revised Base Operating Budget. The management recommended 2009 Revised Base Operating Budget includes approximately \$96.7 million for operating and maintenance expenses (including \$2.1 million for market monitoring activities and \$0.9 million for Protocol services performed by the Texas Regional Entity), \$38.2 million for project expenditures, and \$33.7 million for debt service obligations.

<b><u>Funding Authorization</u></b>		<b>Revised 2009 Proposed Amount (\$ in thousands)</b>
System Administration Fee		133,218
Interest Income		100
Other Revenue		12,327
Subtotal – Revenue Requirement		145,646
Project Spending – Debt Funded		22,890
Total – Funding Authorization		168,536
<b><u>Spending Authorization</u></b>		
Operating Expenses		96,669



Debt Service – Interest	7,580
Debt Service – Principal	26,137
Project Spending	38,150
Total – Spending Authorization	<u>168,536</u>
Excess Funding Authorization over Spending Authorization	-

The 2009 Revised Base Operating Budget includes an authorized staffing level of 739 full-time equivalents (“FTEs”) for 2009. It is expected that approximately 517 of the authorized FTEs will perform base operating functions, 189 of the authorized FTEs will be engaged in Nodal Program activities, and 33 of the authorized FTEs will be working on zonal project related tasks.

The 2009 Revised Base Operating Budget does not require a change to the ERCOT System Administration Fee from 2008. ERCOT fees are summarized in Exhibit A.

Section 4.10 of the ERCOT Bylaws requires that the Board of Directors approve the ERCOT Budget. The ERCOT Board of Directors has the responsibility for adopting an annual Budget for ERCOT that will enable the company to fulfill its obligations and responsibilities for the reliable operation of the ERCOT market.

**Key Factors Influencing Issue:**

- In May 2008, the Board approved a 2009 Base Operating Budget and System Administration Fee increase which assumed Nodal implementation in December 2008 (Attachment A).
- Delayed implementation of the Nodal Program has direct and significant impact on ERCOT’s 2009 Base Operating Budget.
- In December 2008, the Board approved a one-month base operating budget for activities and transactions planned for January 2009 (Attachment B).

ERCOT must have adequate funds in 2009 to:

- Implement system improvements and required functionality to support the market.
- Staff appropriately to participate in and support full market operations and single control area functions.
- Maintain compliance with the Financial Corporate Standard and associated financial performance measures as approved by the Board.
- Fund independent market monitoring and PURA functions of Texas RE.
- Enhance and maintain the computer systems and associated services contracted for with vendors.
- Maintain necessary facilities to provide secure operations and house staff.

**Alternatives:**

1. Approve the recommendation of the Finance and Audit Committee, as



- recommended or as modified by the Board; or
2. Remand this issue to the Finance and Audit Committee with instructions.

**Conclusion/Recommendation:**

ERCOT staff respectfully recommends that the Board of Directors:

- Adopt the proposed 2009 Revised Base Operating Budget, which includes \$168.5 million total spending authorization for base operations (including independent market monitoring and PURA functions of Texas RE), capital projects, debt service and a gross staff authorization level of 739 full-time equivalents.
- Approve an ERCOT System Administration Fee of \$0.4171 as outlined in the proposed 2009 Revised Budget.
- Approve the ERCOT Fee Schedule attached as Exhibit A.



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the proposed 2009 Revised Base Operating Budget (“Budget”), including capital requirements, operating and maintenance expenses (excluding depreciation and amortization) and debt service requirements totaling \$168.5 million to support the planned activities of ERCOT for fiscal year 2009.

THEREFORE, IT IS HEREBY RESOLVED, that the Board hereby adopts the proposed 2009 Revised Base Operating Budget and 2009 ERCOT Fee Schedule, which includes a base operations budget of \$96.7 million (including independent market monitoring and PURA functions of Texas RE), and debt service requirements totaling \$33.7 million, and a project spending authorization of \$38.2 million to support the planned activities of ERCOT in 2009.

**CORPORATE SECRETARY’S CERTIFICATE**

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its January 20, 2009 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by a vote of \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.

\_\_\_\_\_  
Michael G. Grable  
Corporate Secretary



## Exhibit A

### ERCOT Fee Schedule

ERCOT fees are approved by the Board of Directors and are subject to approval from the Public Utility Commission of Texas (PUCT). The following is a schedule of the proposed 2009 fees.

Description	Protocol Reference	Calculation/Rate/Comment
ERCOT System Administration fee	9.7.1	\$0.4171 per MWh to fund ERCOT activities subject to Public Utility Commission of Texas (PUCT) oversight. This fee is charged to all Qualified Scheduling Entities (QSEs) based on Load represented.
Private Wide Area Network fees	9.7.6	Actual cost of using third party communications network - initial equipment installation cost not to exceed \$18,000, and monthly network management fee not to exceed \$865.
Non-ERCOT Load Serving Entity fee	9.7.3	\$1.15 per ESI ID per year – Charged to Load Serving Entities (LSE) operating in areas of Texas where Customer Choice is in effect but outside of the ERCOT Region.
ERCOT Nodal Implementation Surcharge	9.7.7	\$0.169/MWh – Charged to all QSEs representing net metered generation.
ERCOT Security Screening Study (Not Refundable)	NA	A preliminary study of the impacts of a proposed generation plant <b><u>One request, one site, one voltage level</u></b> \$10,000 (1MW to 149MW) \$15,000 (150MW and above) <b><u>Additional voltage levels</u></b> \$5,000 each
Full Interconnection Study(Not Refundable)	NA	Modeling Fee incurred by the Transmission and/or Distribution Service Provider (TDSP) \$15 per MW
Map Sale fees	NA	\$20 - \$40 per map request (by size)
Qualified Scheduling Entity Application fee	9.7.5	\$500 per Entity
Competitive Retailer Application fee	9.7.5	\$500 per Entity
Mismatched Schedule Processing fee	9.7.4	\$1 per mismatched event - Assessed to QSEs submitting schedules referencing each other where the schedules do not match



Voluminous Copy fee	NA	\$0.15 per page in excess of 50 pages
Late fees	9.4.6	Wall Street Journal prime interest rate plus two (2) percent – assessed for failure to make timely payment under the Protocols.

**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, the Board of Directors (the "Board") of Electric Reliability Council of Texas ("ERCOT"), Inc. deems it desirable and in the best interest of ERCOT to approve the proposed 2009 Strategic Financial Plan & Budget ("Budget"), including capital requirements, operating and maintenance expenses (excluding depreciation and amortization) and debt service requirements, totaling \$223.3 million, to support the activities of ERCOT in 2009.

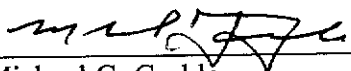
THEREFORE, IT IS HEREBY RESOLVED, that the Board hereby adopts the proposed 2009 Budget and 2009 ERCOT Fee Schedule, which includes a base operations budget of \$164.6 million, a project budget of \$47.6 million, \$1.7 million for market monitoring activities, \$8.6 million for a federally mandated pass-through charge established to recover an amount approved by FERC as the ERCOT region's share of the annual budgeted operating costs of the Electric Reliability Organization, and \$0.8 million for Protocol services performed by the Texas Regional Entity; and

BE IT FURTHER RESOLVED, that ERCOT is authorized to make a filing with the PUCT consistent with the approved Budget.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its May 20, 2008 meeting, the Board of Directors of ERCOT passed a motion approving the above Resolution by a unanimous voice vote with no abstentions.

IN WITNESS WHEREOF, I have hereunto set my hand this 9 day of June, 2008.

  
\_\_\_\_\_  
Michael G. Grable  
Corporate Secretary



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to approve the proposed January 2009 Budget (Budget), including capital requirements and operating and maintenance expenses (excluding depreciation and amortization), totaling \$9.7 million to support the planned activities of ERCOT for the month of January 2009.

THEREFORE, IT IS HEREBY RESOLVED, that the Board hereby adopts the proposed January 2009 Budget, which includes \$9.7 million total spending authorization for base operations (including independent market monitoring and PURA functions of Texas RE and excluding Nodal activities) and capital projects.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its December 9, 2008 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by a unanimous voice vote and no abstentions.

IN WITNESS WHEREOF, I have hereunto set my hand this 12<sup>th</sup> day of December, 2008.

A handwritten signature in black ink, appearing to read "Michael G. Grable", written over a horizontal line.

Michael G. Grable  
Corporate Secretary