



Background - Approval of Financial Corporate Standard (Vote)

Steve Byone

Vice President and Chief Financial Officer

Board of Directors Meeting

March 17, 2009

During the February 26, 2009 PUCT Open Meeting, the Commission expressed a desire for ERCOT to develop a more definitive policy on debt financing...

- **“If we are going to go forward with this amount of debt we need to have a policy in place where everybody at the ERCOT table agrees and we agree this is how much debt we are going to have rather than defaulting to well lets have more debt because that means this year and next year our assessment is lower.” – *Barry T. Smitherman***
- **“ERCOT has to bring everybody together and come up with a policy on this” – *Barry T. Smitherman***
- **“It has been the Commission’s policy for entities that we regulate to have a 60/40 debt to equity ratio” – *Barry T. Smitherman***

In response, ERCOT staff has developed a proposed change to the ERCOT Financial Corporate Standard:

Sources of Financing. ERCOT will use a combination of equity (revenue funding) and debt to finance **current year Project activity**. In determining the combination of equity and debt to be used, ERCOT will consider the impact of the current year decision on future years, **but in no event will ERCOT propose to revenue fund less than 40 percent of Project Budgets.**