



Background - Reconsideration of Nodal Surcharge Rate (Vote)

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Board of Directors Meeting

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Reconsideration of Nodal Surcharge Rate (Vote)

During the February 26, 2009 PUCT Open Meeting, Chairman Barry T. Smitherman requested that ERCOT develop a plan to address the equity contribution level for the Nodal Program...

- **“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***
- **“I would like a plan for how to get this debt to equity ratio back in line with what we have always talked about” – *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 to the Commission’s feedback, ERCOT staff recommends the Board re-consider the amount of the requested Nodal Surcharge increase .

Reconsideration of Nodal Surcharge Rate (Vote)

	Historical ERCOT Capex Revenue Funding Options (40%)									
	No Change	Flat Fee Options		Rate Parity Options		100% Funding Options				
	Option 1	Option 2a	Option 2b	Option 3a	Option 3b	Option 4a	Option 4b	Option 5a	Option 5b	
	\$0.169 through full recovery	\$0.169 through 2009; Flat fee through 2014	\$0.226 through 2009; Flat fee through 2014	\$0.226 through 2009; 40% rev funding by go-live	\$0.169 through 2009; 40% rev funding by go-live	\$0.169 through 2009; \$0.473 thereafter	\$0.226 through 2009; \$0.473 thereafter	\$0.169 through 2009; 100% rev funding by go-live	\$0.226 through 2009; 100% rev funding by go-live	
Nodal costs to be financed	526.4	526.4	526.4	526.4	526.4	526.4	526.4	526.4	526.4	
Debt financing costs	146.0	92.6	89.8	78.7	75.4	64.1	61.0	38.9	38.0	
Costs recoverable via Nodal Surcharge	<u>\$ 672.4</u>	<u>\$ 618.9</u>	<u>\$ 616.1</u>	<u>\$ 605.0</u>	<u>\$ 601.8</u>	<u>\$ 590.5</u>	<u>\$ 587.4</u>	<u>\$ 565.3</u>	<u>\$ 564.4</u>	
Expected Nodal Surcharge - 2009 (\$/MWh)	\$ 0.169	\$ 0.169	\$.169 / .226	\$.169 / .226	\$ 0.169	\$ 0.169	\$.169 / .226	\$ 0.169	\$.169 / .226	
Expected Nodal Surcharge - 2010 thru full recovery (\$/MWh)	\$ 0.169	\$ 0.285	\$ 0.273	\$ 0.324	\$ 0.375	\$ 0.473	\$ 0.473	\$ 1.315	\$ 1.264	
Projected end of collection period (if rate remains in effect for full period)	2nd Qtr 2019	4th Qtr 2014	4th Qtr 2014	1st Qtr 2014	3rd Qtr 2013	4th Qtr 2012	3rd Qtr 2012	4th Qtr 2010	4th Qtr 2010	
Estimated "peak" Nodal debt (curr - Dec 2008, all options - Dec 2010)	383.6 Dec-10	344.7 Dec-10	331.7 Dec-10	314.8 Dec-10	327.4 Dec-09	327.4 Dec-09	311.4 Dec-09	327.4 Dec-09	311.4 Dec-09	
Percent revenue funding during development	27.1%	34.5%	37.0%	40.2%	40.2%	46.5%	49.7%	100.0%	100.0%	

Note: All amounts are in \$ millions unless otherwise noted.