

2010 Texas Regional Entity Preliminary Budget Overview

Texas RE Advisory Committee
April 21, 2009

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Purpose of Today's Meeting

- **Review budget development schedule and timeline**
- **Discuss budget assumptions**
- **Review preliminary budget**
- **Obtain feedback from Texas RE Advisory Committee**
- **No budget decision needed today**

2010 Texas RE Budget Development Schedule

- **April 21 – Review Preliminary Draft of 2010 Budget at Texas RE Advisory Committee**
- **May 8 – Draft #1 of Business Plan & Budget (BP&B) due to NERC**
- **May 19 – Texas RE Advisory Committee & Board Discussion of Draft #1 of BP&B**
- **May 29 – Draft #2 of BP&B due to NERC**
- **June 15 – Final Budget Approval Required by Texas RE Board**
- **July 8 – Final Texas RE Board-Approved BP&B due to NERC**

Texas RE Overarching Budget Goals - Summary

- **2010 will be the 3rd full year of operations for Texas RE.**
 - Programs and processes continue to evolve.
- **The budget process ensured that all of the functions were appropriately budgeted to:**
 - Discharge all of the NERC Delegation Agreement requirements.
 - Continue monitoring & reporting on Protocol compliance and non-compliance.
 - Ensure Texas RE continues to improve its processes by utilizing technology to enhance its operations.
 - Guarantee Texas RE has appropriate cash on hand.
- **Supplemental budget developed to address potential structural separation from ERCOT ISO.**

2010 Base Budget Assumptions for Texas RE

- **Remain functionally separate from ERCOT ISO and continue to receive administrative services and support billed through a Memorandum of Understanding (MOU).**
- **Maintain a similar cash reserve to 2009 (11% or \$855K) for Statutory functions.**
- **Use any surplus funds from prior year to offset 2010 funding requirements.**
- **Labor expense and allocations for Statutory (Federal) functions and Non-Statutory (Protocol) functions were projected based on current time-tracking and expected trends.**
- **ERCOT ISO project funding will be used for all IT automation (capital) projects required for Texas RE to monitor, analyze, and report statistics and violations related to ERCOT Zonal and Nodal Protocol Compliance requirements.**
- **Continue to invest in technology improvements and process automation to improve efficiency and increase national consistency.**

2010 Base Budget Assumptions (cont.)

- **Increase in labor costs 27% for 2010:**

- Merit increase of 3% and promotion increase of 1% assumed (consistent with ERCOT ISO assumptions).
- Additional 2% increase for market adjustment to bring salaries in-line with industry standard.
- Employee Benefits budget at 33% of salary (assumes expenses will increase in 2010).
- Proposing to add 5 FTEs to Compliance.

- **Increased Compliance staff required:**

- Additional and longer audits required, due to increased number of FERC-approved Reliability Standards (i.e. CIP Standard enforcement) and increased number of Registered Entities (i.e. LSE registration and possible TOP JROs).
- Significant increased emphasis on situation awareness, cyber-security, and reliability assessments.
- Increased Non-Statutory workload related to working with stakeholders and PUC to complete Nodal Protocol and Operating Guide metrics and required reports.

2010 Budget–Statutory & Non-Statutory - Summary

- **Personnel Expenses (Salary & Benefits) ~ \$1,049K ↑ 27%**
 - Increase associated with adding 5 staff (detailed under personnel increase section). Salary Expense \$511K, Benefits Expense \$169K. Proposing 1 intern \$13K.
 - 4% merit (3% effective rate) and 2% market adjustment increases for existing staff. Salary Expense \$233K, Benefits Expense \$77K.
 - Additional benefits expense \$46K for increase in benefits percentage from 32% to 33%.
- **Technology Related Costs**
 - **Compliance Portal and Web Hosting ~ \$143K ↑ 239%**
 - Portal will be in place all year and includes redundancy for portal and website to ensure adequate uptime. Additionally adding maintenance for IT related programs.
 - **Capital Expenses (IT Tools and Other) ~ \$177K ↑ 72%**
 - IT capital projects to improve efficiency and consistency of compliance documentation and information exchange.
 - \$302K for portal projects, \$50K for Document Mgmt, \$50K for Situational Awareness software, \$15K for Situation Room upgrades, \$5K for PSEE software, and \$1.5K for a projector.
 - **Depreciation ~ \$103K ↑ 135%**
 - Due to additional capital projects in process as well as future capital projects.
- **Travel ~ \$78K ↑ 72%**
 - Increasing due to additional required travel related to NERC and FERC meetings and increased length and number of audits.
- **MOU (ERCOT ISO) ~ \$102K ↑ 9%**
 - Increased net MOU Expenses – Rent and administrative support for additional FTEs.
- **Operations Training Seminar ~ \$110K ↑ 105%**
 - OTS expenses higher than 2009 budget due to move offsite from Met Center, but funded by attendees to the seminar.

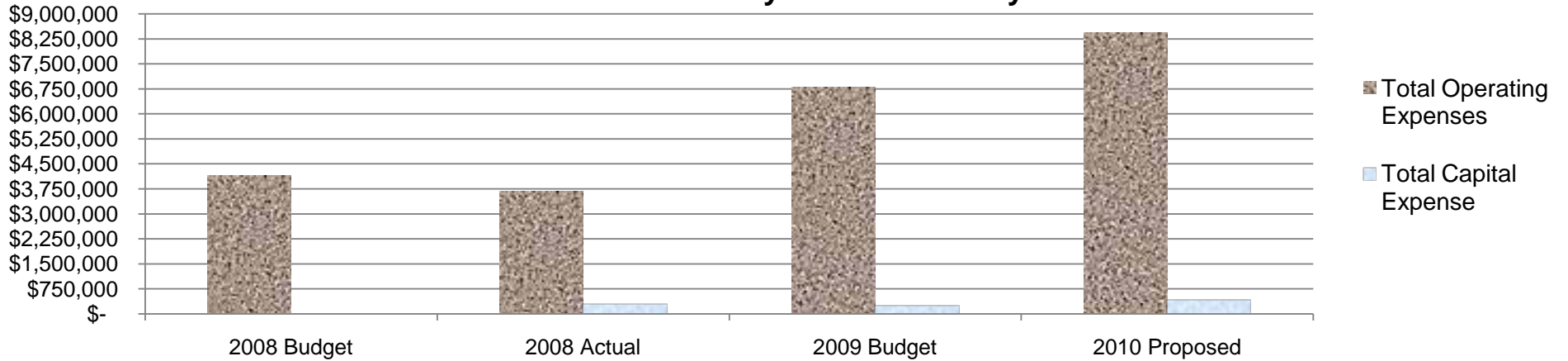
Texas RE - Executive Summary

- **The estimated funding requirement for the Texas RE budget is:**

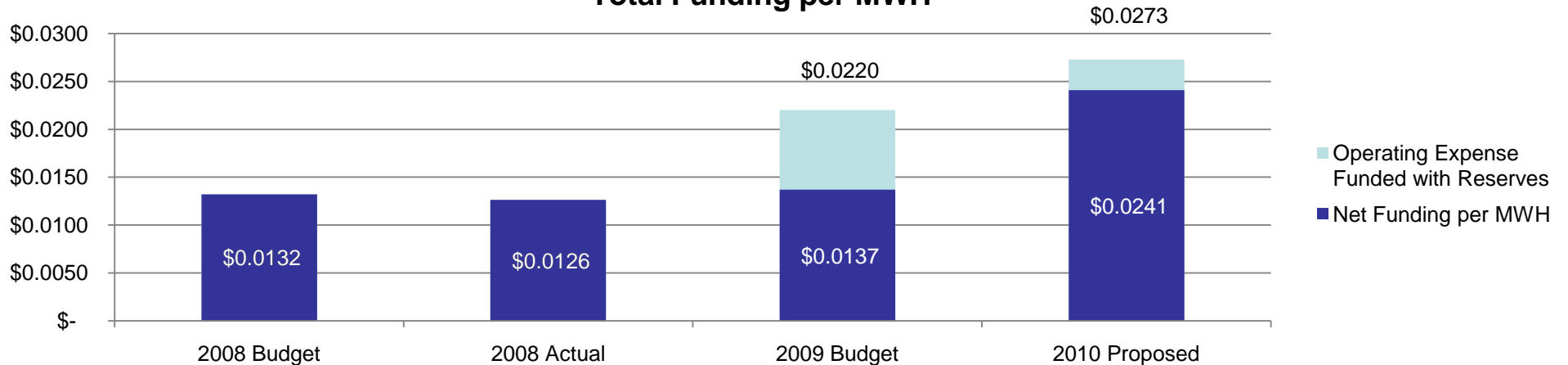
2010 Budget	\$8,861,498
Less: Reserves	(855,000)
Less: Depreciation	<u>(180,000)</u>
Net Funding	\$7,826,498
Net Funding per MWH	\$.0241

2010 Budget–Combined Statutory & Non-Statutory & Cost per MWH

Texas RE Financial Trends Combined Statutory & Non-Statutory



Total Funding per MWH



5 Additional Headcount for Texas RE - Overview

- **1 FTE for Compliance Audit Function**
 - Longer audits, additional audit requirements, and additional registered entities
- **1 FTE – Critical Infrastructure Protection Subject Matter Expert**
 - CIP Standard enforcement begins in 2010
- **1 FTE – Stakeholder Management**
 - Respond more timely to organization registration questions, issues, changes, and concerns; manage registration appeals; facilitate and coordinate entity certifications; increased participation in reliability assessments process.
- **1 FTE – Compliance Enforcement**
 - Address anticipated increased enforcement activity due to CIP Standard enforcement and increased number of entity registrations; maintain acceptable procedural timelines
- **1 FTE – Situation Awareness**
 - Delegated function; stay current on ERCOT system conditions; maintain reasonable timeline for event review, compliance analysis, and Compliance Violation Investigations

2010 Supplemental Budget – Structural Separation

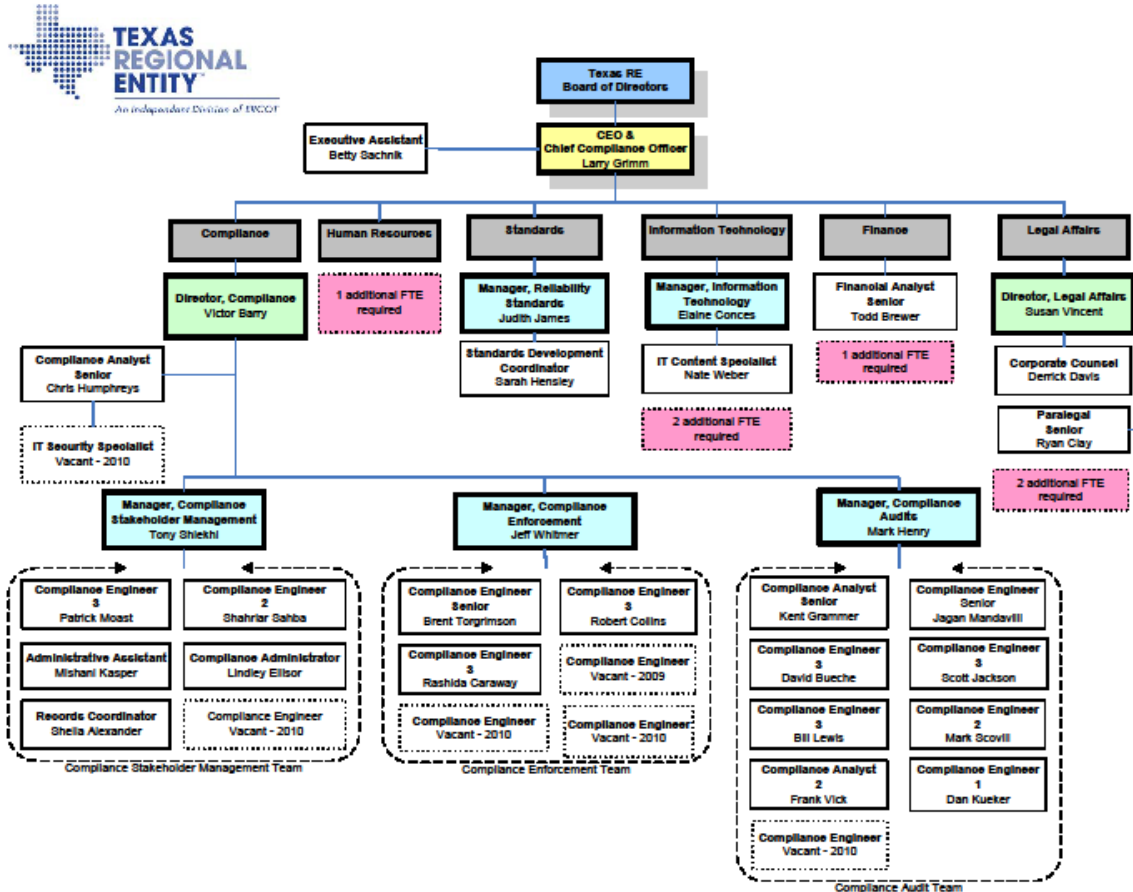
- **Detail 2010 Supplemental Budget** **Page 13**
- **Proposed 2010 Supplemental Organization Chart** **Page 14**

2010 - Supplemental Budget – Structural Separation

Texas Regional Entity
 Total Rollup With Structural Separation
 Comparison of 2009 to 2010 Budgets
 Scenario 2, With Corporate Services

	2009	2010 Base	2010 Supplemental	Total 2010	(Increase) / Decrease Percent	Comments
Salary	\$ 2,960,004	\$ 3,717,546	\$ 494,000	\$ 4,211,546	13%	Structural Separation: Additional Staff - 1 HR, 1 Finance Mgr, 2 IT, 1 Counsel, 1 Stakeholder Svcs Admin.
Benefits	936,105	1,227,240	163,020	1,390,260	13%	Budget includes additional staff, benefits at 33% for 2010.
Training	13,080	25,500	-	25,500	0%	
Travel	109,228	187,426	-	187,426	0%	
MOU / MOU Equivalents	1,144,402	1,246,680	388,315	1,634,995	31%	Structural Separation: Security \$30K, \$291K BOD Fees & Travel, \$285K IT Svcs, \$373K benefits, \$12K 401(k) Admin, \$75K Risk Mgmt (Ins Prod), BOD Search \$250K, Rent \$318K, net against like expenses in MOU of \$1,246K. (Onetime expenses of \$250K for BOD Search).
Professional Fees	470,650	481,000	129,913	610,913	27%	Structural Separation: Increased Audit \$50K for SarBox + Increased HR \$30K, Treasury \$13K, Expense Reporting \$13K, Timekeeping \$8K, and \$15K for other services.
Hosting & IT Maintenance	60,000	203,100	-	203,100	0%	
Cell Phones	11,600	14,040	-	14,040	0%	
Operations Training Seminar/Workshops	105,000	220,000	-	220,000	0%	
Office Supplies	13,800	26,680	7,200	33,880	27%	Structural Separation: Increasing due to increased need for report printing, FedEx for Board, postage and staff increases.
Depreciation	76,540	180,000	171,961	351,961	96%	
Other	7,491	23,785	-	23,785	0%	
Cash/Contingency Reserve	30,000	30,000	-	30,000	0%	
Total Operating Expenses	\$ 5,937,900	\$ 7,582,998	\$ 1,354,409	\$ 8,937,407	18%	
Capital Budget	246,120	423,500	846,786	1,270,286	200%	Structural Separation: IT start-up \$527K; Accounting Start-Up \$11K, Furniture \$308K.
Total Operating & Capital Expenses	\$ 6,184,020	\$ 8,006,498	\$ 2,201,195	10,207,693	27%	
Cash Reserve	855,000	855,000	106,000	961,000	12%	Non-Stat reserve should be \$136K in total.
Total With Non-Operating Expenses	\$ 7,039,020	\$ 8,861,498	\$ 2,307,195	\$ 11,168,693	26%	
Less: Unspent Prior Year Funds	(2,666,323)	(855,000)	-	(855,000)	0%	
LESS: Depreciation	-	(180,000)	(171,961)	(351,961)	96%	Increased depreciation for depreciable expenses in structural separation.
Total Funding/Assessments	\$ 4,372,697	\$ 7,826,498	\$ 2,135,234	\$ 9,961,732	122%	

2010 Proposed Supplemental Organization Chart



Appendix

Combined Statutory & Non-Statutory – Detail

- **Function Overview** **Page 17**
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- **Combined Budget Organization Chart – Showing Changes** **Page 19**
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Texas Regional Entity Function Overview

- **Compliance – NERC Standards and ERCOT Protocols / Operating Guides**

- Compliance audits
- Compliance enforcement
- Organization registration and certification
- Violation and penalty determinations
- Settlement negotiations
- Mitigation plan review and acceptance
- Compliance analyses and Compliance Violation Investigations
- Situation awareness
- Event logging and review
- Compliance issue tracking and reporting
- Registered Entity / Market Participant training
- Critical Infrastructure Protection (CIP)
- Data and records management
- Reliability Assessments
- Training

- **Reliability Standards**

- Coordinate and facilitate Regional Reliability Standards development
 - Reliability Standards Committee
 - Standard drafting teams
 - Regional Ballot Body and pools
- Review and communicate NERC Standards-related information

- **Corporate Operations**

- Executive
- Legal and Regulatory
- Finance
- Information Technology

- **Texas RE Board/NERC/FERC/PUC meetings, communication, collaboration, and coordination**

2010 Budget-Statutory & Non-Statutory Detail

Texas Regional Entity

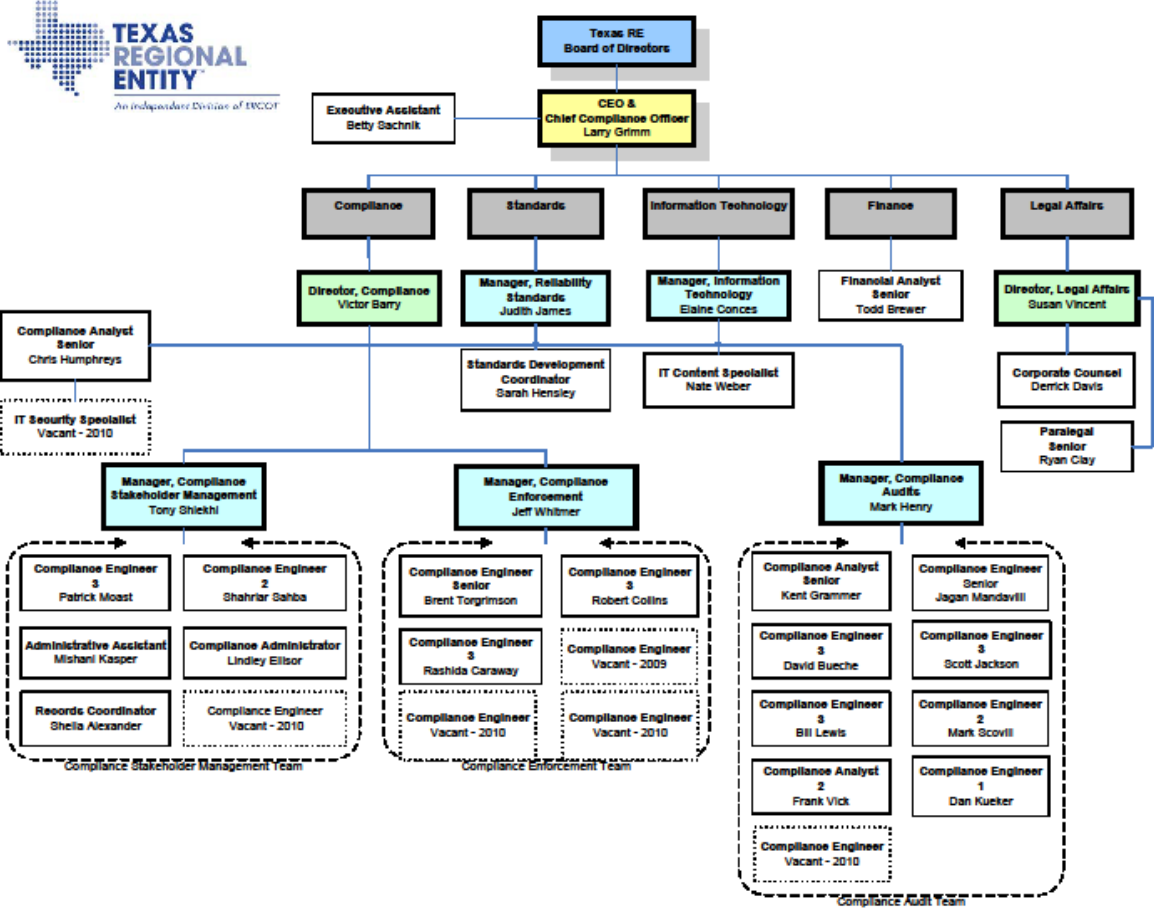
Total Rollup - Combined Statutory & Non-Statutory

Comparison of 2009 to 2010 Budgets

Scenario 1, No Corporate Services

	2008 Budget	2008 Actual	2009 Budget	2010 Proposed	(Increase) / Decrease 2009 vs. 2010		Comments
					Difference	Percent	
Salary	\$ 2,242,782	\$ 1,940,771	\$ 2,960,004	\$ 3,717,546	\$ (757,543)	-26%	5 FTES = \$511K + Promotions & Merit \$233K (merit 4%, reserve for market adjustments 2%), and \$13K for an intern.
Benefits	717,691	573,776	936,105	1,227,240	(291,135)	-31%	Budget includes additional staff, benefits at 33% for 2010.
Training	-	10,622	13,080	25,500	(12,420)	-95%	Tuition Reimbursement, Employee Development and Teambuilding.
Travel	97,135	88,975	109,228	187,426	(78,198)	-72%	Audit travel is up \$12K for extending the audits by 1 day...CIP travel about \$2K (new), Compliance up \$56K in other travel...all other areas \$8K.
MOU	348,000	640,329	1,144,402	1,246,680	(102,278)	-9%	Increases are based on increases in FTE's, offset by reductions in rent budget year-over-year.
Professional Fees	350,000	316,560	470,650	481,000	(10,350)	-2%	Increase in audit fees \$8K, increase in IT Vendor Support \$32K (graphics for website and additional RSVP system support, IT technical support), offset by \$30K reduction to non-stat professional fees.
Hosting & IT Maintenance	-	36,960	60,000	203,100	(143,100)	-239%	IT is adding \$130K related to backup hosting and projects: Managed, redundant hosting for portal, public web site, and document management system Managed hosting and services for Reliability Standards Tracking site. Additionally, vendor support for portal.
Cell Phones	3,900	4,080	11,600	14,040	(2,440)	-21%	Controlled to only Sr.'s and audit leads and above.
Operations Training Seminar/Workshops	74,239	19,238	105,000	220,000	(115,000)	-110%	Seminar to be held offsite - cost to be offset by attendee registration fees.
Office Supplies	15,600	33,015	13,800	26,680	(12,880)	-93%	Increasing due to increased need for report printing, FedEx for Board, postage and staff increases.
Depreciation	-	14,728	76,540	180,000	(103,460)	-135%	Higher number of Capitalized projects in 2009.
Other	500	4,264	7,491	23,785	(16,294)	-218%	Professional dues increasing \$5K, and Sponsored Meetings with NERC \$8K.
Contingency Reserve	295,000	-	30,000	30,000	-	0%	
Total Operating Expenses	\$ 4,144,847	\$ 3,683,319	\$ 5,937,900	\$ 7,582,998	\$ (1,645,098)	-28%	
Capital Budget	-	284,877	246,120	423,500	(177,380)	-72%	\$302K for portal projects, \$50K for Document Mgmt, \$50K for Situation Awareness software, \$15K for Situation Room upgrades, and \$5K for PSEE software.
Total Operating & Capital Expenses	\$ 4,144,847	\$ 3,968,196	\$ 6,184,020	8,006,498	\$ (1,822,478)	-29%	
Cash Reserve	-	-	855,000	855,000	-	0%	
Total With Non-Operating Expenses	\$ 4,144,847	\$ 3,968,196	\$ 7,039,020	\$ 8,861,498	\$ (1,822,478)	-26%	
Less: Unspent Prior Year Funds	-	-	(2,666,323)	(855,000)	(1,811,323)	68%	
LESS: Depreciation	-	-	-	(180,000)	180,000	100%	Due to change from Cash-Based to GAAP Based budget for NERC, depreciation excluded for 2010 assessments.
Total Funding/Assessments	\$ 4,144,847	\$ 3,968,196	\$ 4,372,697	\$ 7,826,498	\$ (3,453,801)	-79%	

2010 Proposed Organization Chart



2 Additional Headcount for Compliance Enforcement Function

- **(2) Compliance Engineer III – 1 Situation Awareness & 1 Compliance Enforcement**
 - Event Review, Analysis and Investigations; CVI's; Violation Verification from all 8 Compliance Processes; Protocol and Operating Guide Violation Verification; Complaint Analysis; Mitigation Plan Review, Approval and Verification; Penalty and Settlement Development and Processing; Support of NERC in Case Development (NOCV and NOP); Situational Awareness Development.
 - Current staff levels and workload don't allow for timely completion of the tasks associated with processes listed, even with assistance from Audit. The volume and documentation requirements for each of these processes continues to increase, even as these processes are better defined.
 - Adding this position will help maintain reasonable timelines in performing each of the process tasks.
 - Even with the continued use of resources from other groups within Texas RE, the durations to complete the processes listed will continue to increase. Separation between Audit and Enforcement will continue to be blurred.
 - Per procedure we should not be sharing staff between the audit & enforcement functions, as well as other staff not have availability.

1 Additional Headcount for Compliance Audit Function

- **Compliance Engineer/Analyst III**

- Increases available staff for auditing and audit support functions. In particular, it will enable the emerging cyber security standards spot check audits targeted for the second half of 2010, in preparation for huge expansion of this work at the start of 2011.
- Audit workload is increasing, most audits since late 2008 are requiring three full days. With additional and revised NERC standards, we see this as a sustained level of effort that may increase further. The CIP material is a prominent part of this.
- Provides additional labor hours to the team for auditing and associated duties of the audit team, suggested by our review of audit workload and estimates of the time needed.
- Work in the past six months shows a clear trend to longer audits, and other staff has provided extensive support during this period. Much supporting work and training has been deferred. Nonstandard labor hours (above 40 per week) are documented.

1 Additional Headcount for Stakeholder Management Function

● **Compliance Engineer III**

- **Oversee and implement NERC Registration and Certification process**
 - Create, maintain and communicate Registration and Certification processes internally and with Registered Entities
 - Review and approve Registration and Certification submittals and activities
 - Review Joint Registration Organization (JRO) agreements
 - Point of contact for Registered Entity questions and inquiries about NERC Registration and Certification
 - Represent Texas RE in ERCOT workshops related to Registration and Certification
- **National Coordination**
 - Work with other Regional Entities and NERC to maintain consistency and coordination
 - Represent Texas RE in regional and national meetings
 - Point of contact for NERC for Registration and Certification questions and manages the creation of special reports
- **Will allow increased participation in reliability assessments program and ERCOT Regional Planning Process.**

1 Additional Headcount for CIP Function

- **IT Security Specialist – Critical Infrastructure Protection**

- CIP Standards become enforceable in 2010.
 - ERCOT ISO registered as TOP, RC, & BA must comply.
 - On-site audit to be conducted (41 requirements).
- NERC/FERC expectations remain unclear and are evolving – but we know the emphasis will be on more activity and rigor vs. less.
 - Spot checks
 - Critical assets
 - Self-certifications
 - Audit cycles
- CIP Standards become enforceable in 2011 for ~40 additional Registered Entities (still evolving due to definition of “Critical Assets”).
- Expect CIP compliance audits to be similar to current compliance audits with respect to length, resource needs, and rigor.

Statutory Budget Detail

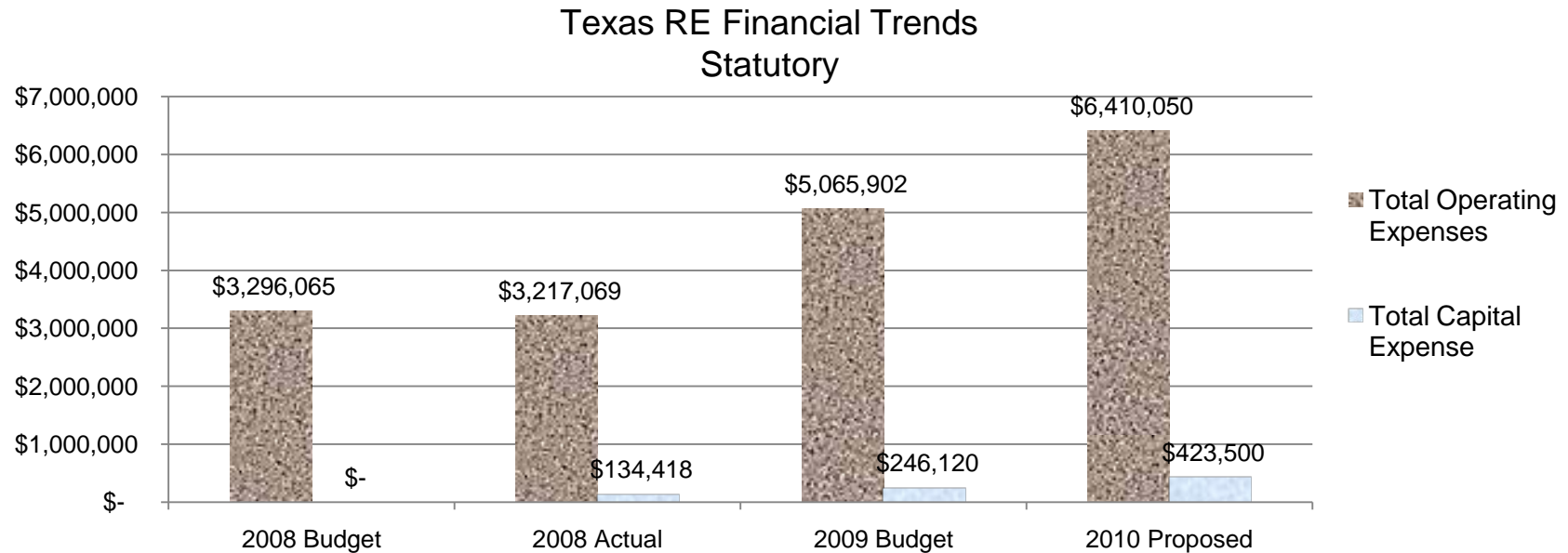
- **Detail of Statutory Budget** **Page 25**
- **Graphic Summary of Statutory Budget** **Page 26**
- **Variance Explanations for Statutory Budget** **Page 27- 28**
- **Cost / Registered Entity** **Page 29**

2010 Budget-Statutory

Texas Regional Entity
 Total Rollup - Statutory
 Comparison of 2009 to 2010 Budgets
 Scenario 1, No Corporate Services

	2008 Budget	2008 Actual	2009 Budget	2010 Proposed	(Increase) / Decrease 2009 vs. 2010		Comments
					Difference	Percent	
Salary	\$ 1,718,288	\$ 1,674,937	\$ 2,496,924	\$ 3,075,591	\$ (578,667)	-23%	5 FTES = \$415K + Promotions & Merit \$152K (merit 4%, reserve for market adjustments 2%), Plus \$11K for an intern.
Benefits	549,853	513,166	804,344	1,012,361	(208,017)	-26%	Budget includes additional staff, benefits at 33% for 2010.
Training	-	10,622	13,080	23,820	(10,740)	-82%	Tuition Reimbursement, Employee Development and Teambuilding.
Travel	93,235	87,897	107,047	186,802	(79,755)	-75%	Audit travel is up \$12K for extending the audits by 1 day...CIP travel about \$2K (new), Compliance up \$56K in other travel...all other areas \$8K.
MOU	280,000	552,575	998,602	1,059,678	(61,076)	-6%	Increases are based on increases in FTE's, offset by reductions in rent budget year-over-year.
Professional Fees	268,000	294,965	372,000	414,792	(42,792)	-12%	Increase in audit fees \$8K, increase in IT Vendor Support \$32K (graphics for website and additional RSVP system support, as well as IT technical support).
Hosting & IT Maintenance	-	36,960	60,000	203,100	(143,100)	-239%	IT is adding \$130K related to backup hosting and projects: Managed, redundant hosting for portal, public web site, and document management system Managed hosting and services for Reliability Standards Tracking site. Additionally, vendor support for portal.
Cell Phones	3,900	3,551	11,600	14,040	(2,440)	-21%	Controlled to only Sr.'s and audit leads and above.
Operations Training Seminar/Workshops	74,239	18,239	105,000	220,000	(115,000)	-110%	Seminar to be held offsite - cost to be offset by attendee registration fees.
Office Supplies	13,050	21,264	13,320	26,080	(12,760)	-96%	Increasing due to increased need for report printing, FedEx for Board, postage and staff increases.
Depreciation	-	-	76,540	150,000	(73,460)	-96%	Higher number of Capitalized projects in 2009.
Other	500	2,892	7,445	23,785	(16,340)	-219%	Professional dues increasing \$5K, and Sponsored Meetings with NERC \$8K.
Contingency Reserve	295,000	-	-	-	-	0%	
Total Operating Expenses	\$ 3,296,065	\$ 3,217,069	\$ 5,065,902	\$ 6,410,050	\$ (1,344,148)	-27%	
Capital Budget	-	134,418	246,120	423,500	(177,380)	-72%	\$302K for portal projects, \$50K for Document Mgmt, \$50K for Situation Awareness software, \$15K for Situation Room upgrades, and \$5K for PSEE software.
Total Operating & Capital Expenses	\$ 3,296,065	\$ 3,351,487	\$ 5,312,022	6,833,550	\$ (1,521,528)	-29%	
Cash Reserve	-	-	855,000	855,000	-	0%	
Total With Non-Operating Expenses	\$ 3,296,065	\$ 3,351,487	\$ 6,167,022	\$ 7,688,550	\$ (1,521,528)	-25%	
Less: Unspent Prior Year Funds	-	-	(2,666,323)	(855,000)	(1,811,323)	68%	Unspent funds were significantly higher in 2009 versus 2010. Release is forecast for 2009.
LESS: Depreciation	-	-	-	(150,000)	150,000	100%	Due to change from Cash-Based to GAAP Based budget for NERC, depreciation excluded for 2010 assessments.
Total Funding/Assessments	\$ 3,296,065	\$ 3,351,487	\$ 3,500,699	\$ 6,683,550	\$ (3,182,851)	-91%	

2010 Budget-Statutory



2010 Budget-Statutory - Summary

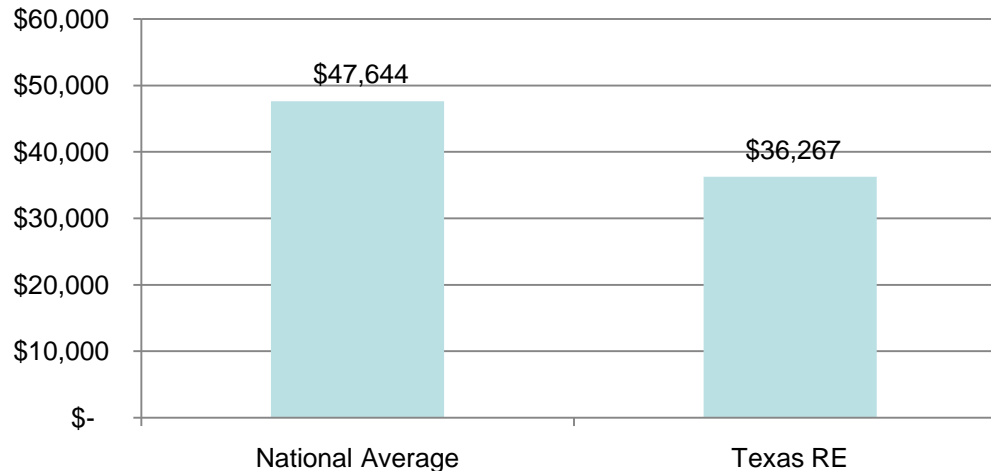
- **Personnel Expenses (Salary & Benefits) ~ \$789K ↑ 24%**
 - Increase associated with adding 5 staff (detailed under personnel increase section). Salary Expense \$415K, Benefits Expense \$137K.
 - 4% merit (3% effective rate) and 2% market adjustment increases for existing staff. Salary Expense \$152K, Benefits Expense \$50K.
 - \$11K for an intern.
 - Additional benefits expense \$24K for increase in benefits percentage from 32% to 33%.
- **Training (Employee) ~ \$11K ↑ 82%**
 - Tuition reimbursement, staff development and team building expenses.
- **Travel ~ \$80K ↑ 75%**
 - Increasing due to additional business-related travel; anticipated increased number of registered entities, NERC, and FERC related travel \$107K. 21% increase in audit travel \$12K, CIP Travel \$2K, Compliance travel \$56K (NERC, Workgroups, etc.), other travel \$8K.
- **MOU (ERCOT ISO) ~ \$61K ↑ 6%**
 - Net MOU Expenses – Rent, Support and IT Allocation –due to increased staff.
- **Professional Fees ~ \$43K ↑ 12%**
 - Financial audit increases and IT vendor support for projects (graphics for website and additional RSVP system support, as well as IT technical support).

2010 Budget-Statutory – Summary Continued

- **Compliance Portal and Web Hosting and Maintenance ~ \$153K ↑ 255%**
 - Portal in place all year in 2010 with added redundancy for hosted portal and website to ensure adequate uptime. Also adding maintenance for existing IT related programs.
- **Cell Phones ~ \$2K ↑ 21%**
 - Increasing cell phone reimbursement/payroll deduction due to increased travel and need to communicate with staff when offsite as well as situational awareness.
- **Operations Training Seminar / Workshops ~ \$110K ↑ 110%**
 - OTS expenses higher than 2009 budget due to move offsite from Met Center \$110K, offset by attendees at the seminar.
- **Office Supplies ~ \$13K ↑ 96%**
 - Increased office supplies due to postage, office supplies and printing.
- **Depreciation ~ \$73K ↑ 96%**
 - Due to additional capital projects in process as well as future capital projects.
- **Other ~ \$16K ↑ 219%**
 - Primarily due to NERC meetings hosted by Texas RE \$8K. Additionally, minor increase in dues, licenses and professional memberships for staff \$5K.
- **Capital Expenses ~ \$177K ↑ 72%**
 - Capital automation projects to improve compliance documentation and information exchange. \$302K for 12 portal projects, \$50K for Document Mgmt, \$50K for Situational Awareness software, \$15K for Situation Room upgrades, \$5K for PSEE software, and \$1.5K for a projector.

2010 Budget – Cost per Registered Entity

Statutory Cost per Registered Entity
(2009 Nat'l Average* vs. 2010 Texas RE Budget)



* 2009 excludes Texas RE from the national average

Non-Statutory Budget Detail

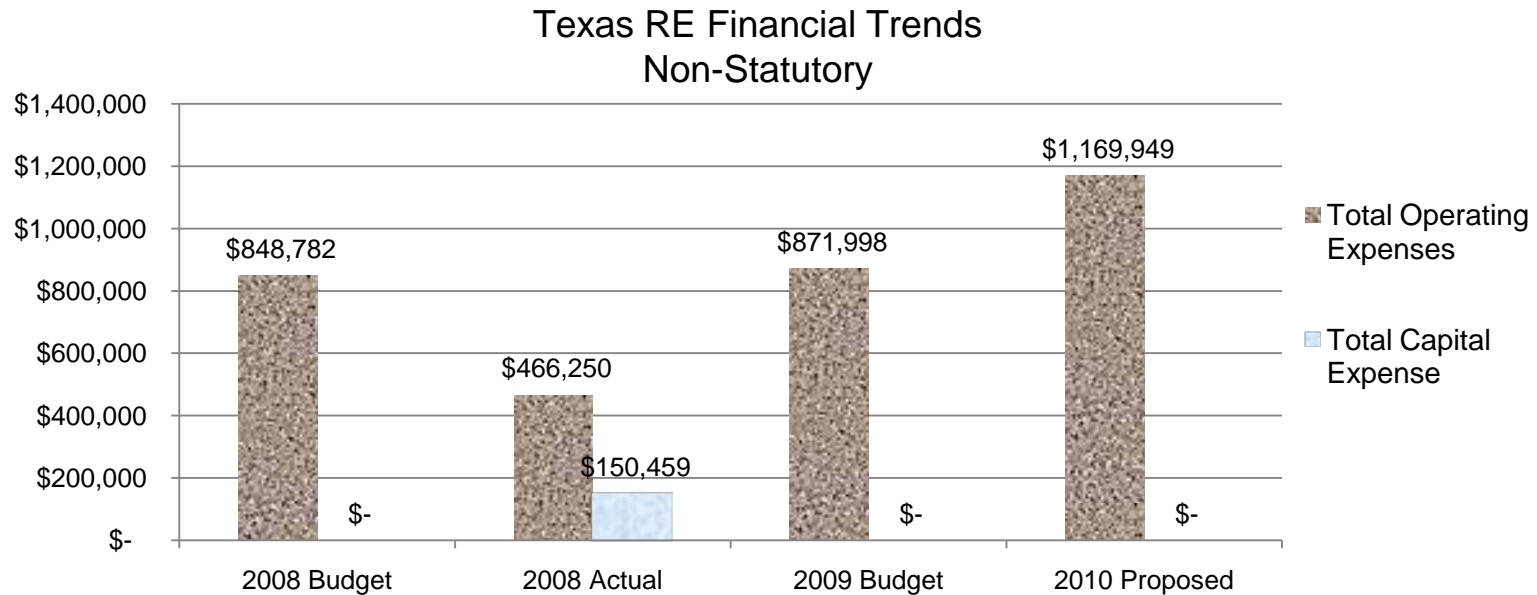
- **Detail of Non-Statutory Budget** **Page 31**
- **Graphic Summary of Non-Statutory Budget** **Page 32**
- **Variance Explanations for Non-Statutory Budget** **Page 33**

2010 Budget–Non-Statutory

Texas Regional Entity
 Total Rollup - Non-Statutory
 Comparison of 2009 to 2010 Budgets
 Scenario 1, No Corporate Services

					(Increase) / Decrease 2009 vs. 2010		Comments
	2008 Budget	2008 Actual	2009 Budget	2010 Proposed	Difference	Percent	
Salary	\$ 524,494	\$ 265,834	\$ 463,080	\$ 641,956	\$ (178,876)	-39%	5 FTES = \$96K + Promotions & Merit \$35K (merit 4%, reserve for market adjustments 2%), \$45K in increased protocol labor, and \$2K for an intern.
Benefits	167,838	60,610	131,761	211,879	(80,118)	-61%	Budget includes additional staff, benefits at 33% for 2010.
Training	-	-	-	1,680	(1,680)	-100%	Tuition Reimbursement, Employee Development and Teambuilding.
Travel	3,900	1,078	2,181	624	1,557	71%	Expected non-statutory travel expected to decline in 2010.
MOU	68,000	87,754	145,800	187,002	(41,202)	-28%	Increases are based on increases in FTE's, offset by reductions in rent budget year-over-year.
Professional Fees	82,000	21,595	98,650	66,208	32,442	33%	Eliminated non-statutory consulting for 2010.
Hosting & IT Maintenance	-	-	-	-	-	0%	
Cell Phones	-	529	-	-	-	0%	
Operations Training Seminar/Workshops	-	999	-	-	-	0%	
Office Supplies	2,550	11,751	480	600	(120)	-25%	Increasing due to increased need for report printing, FedEx for Board, postage and staff increases.
Depreciation	-	14,728	-	30,000	(30,000)	-100%	Higher number of Capitalized projects in 2009.
Other	-	1,372	46	-	46	100%	
Contingency Reserve	-	-	30,000	30,000	-	0%	
Total Operating Expenses	\$ 848,782	\$ 466,250	\$ 871,998	\$ 1,169,949	\$ (297,951)	-34%	
Capital Budget	-	150,459	-	-	-	0%	
Total Operating & Capital Expenses	\$ 848,782	\$ 616,709	\$ 871,998	1,169,949	\$ (297,951)	-34%	
Cash Reserve	-	-	-	-	-	0%	
Total With Non-Operating Expenses	\$ 848,782	\$ 616,709	\$ 871,998	\$ 1,169,949	\$ (297,951)	-34%	
Less: Unspent Prior Year Funds	-	-	-	-	-		
LESS: Depreciation	-	-	-	(30,000)	30,000	100%	Due to change from Cash-Based to GAAP Based budget for NERC, depreciation excluded for 2010 assessments.
Total Funding/Assessments	\$ 848,782	\$ 616,709	\$ 871,998	\$ 1,139,949	\$ (267,951)	-31%	

2010 Budget–Non-Statutory



2010 Budget–Non-Statutory - Summary

- **Personnel Expenses (Salary & Benefits) ~ \$259K ↑ 40%**
 - Increases in Non-Statutory personnel costs due to additional staffing needs, increased Nodal market monitoring and compliance monitoring.
- **MOU (ERCOT ISO) ~ \$41K ↑ 28%**
 - Net MOU Expenses – Rent, Support and IT Allocation – \$41K increase.
- **Professional Fees ~ \$32K ↓ 33%**
 - Eliminated non-statutory consulting from 2010.
- **Depreciation ~ \$30K ↑ 100%**
 - Due to additional capital projects in process as well as future capital projects.