

# Texas Regional Entity 2010 Supplemental Budget Presentation & Approval

Texas RE Board of Directors  
June 15, 2009

## **2010 Budget for Structural Separation**

# Non-Financial Considerations for Separation

- ERCOT ISO and Texas RE Directors have a conflict of interest that is difficult to manage
  - As the regional entity, Texas RE determines ERCOT ISO's compliance with NERC standards and prosecutes enforcement actions against ERCOT ISO for violations that ERCOT ISO might dispute
  - As the regional entity, Texas RE makes registration decisions that ERCOT ISO might dispute
  - Because the Texas RE and ERCOT ISO Boards of Directors are identical, for any disputed violations, penalties, or registrations, the Directors have fiduciary duties to both parties
- The ERCOT Bylaws and Budget are reviewed by FERC and substantial portions of the Bylaws cannot be modified without approval by FERC
- Texas RE is not allowed to vote on NERC matters as a regional entity (only one of the affiliated entities may have a vote and ERCOT ISO votes in the NERC ISO/RTO Sector) – sometimes the ERCOT region has issues that are unique from the other regions
- FERC has questioned Texas RE's affiliation with ERCOT ISO

# Non-Financial Considerations for Separation

- NERC leads audits and other compliance activities of and any enforcement actions against affiliated entities – Texas RE participation is limited
  - If Texas RE remains affiliated, NERC (or a different regional entity) would need to perform compliance monitoring of and enforcement actions against ERCOT ISO (this will defeat the purpose of having a Texas-based regional entity that is familiar with the operations that are unique to the ERCOT bulk power system)
    - It is not clear whether enforcement actions against ERCOT ISO would be heard by the PUCT or by the other regional entity or NERC hearing body
  - The ERCOT region (through an increased Texas RE fee) will be required to pay the cost for NERC (or the other regional entity) to travel to and audit ERCOT ISO
- Any penalties paid by ERCOT ISO must go to NERC instead of Texas RE

# 2010 Separation Budget – Stat & Non-Stat

Description	Total Current Annual Cost (per MOU w/ERCOT ISO)	Total Projected Annual Cost	Projected Start-Up Cost
Board of Directors (full retainer; lower meeting fees) – 5 Independent Directors	\$184,363	\$291,000	\$250,000
Human Resources & Benefits	\$454,588	\$389,318	
HR FTE*		\$99,750	
Accounting, Budget & Payroll, & Treasury Services	\$82,086	\$172,700	\$57,500
Finance FTE*		\$119,700	
Risk Management & Insurance	\$95,665	\$75,250	
Information Technology	\$351,948	\$285,628	\$527,395
IT FTEs* (2)		\$199,500	
Facilities & Physical Security	\$385,003	\$351,000	\$308,391
Stakeholder support FTE*		\$86,450	
Legal FTE*		\$151,620	
<b>Total</b>	<b>\$1,553,653</b>	<b>\$2,221,916</b>	<b>\$1,143,286</b>

NOTE: All estimates are based on 43 FTEs.

# 2010 Structural Separation + Base Budget Recap

## Total Supplemental Structural Separation Budget

	<u>Statutory</u>	<u>Non-statutory</u>	<u>Combined</u>
● Operating Expense Budget	\$1,888,629	\$333,287	\$2,221,916
● Start Up Budget	\$ 971,793	\$171,493	\$1,143,286
● Cash Reserve	<u>\$ 183,800</u>	<u>\$ 32,400</u>	<u>\$ 216,200</u>
● Subtotal Budget Requirements	\$3,044,222	\$537,180	\$3,581,402
● Less: MOU Expenses in Base	(\$ 969,337)	(\$171,060)	(\$1,140,397)
● Less: Depreciation	<u>(\$ 151,127)</u>	<u>(\$ 26,669)</u>	<u>(\$ 177,796)</u>
● Funding Requirements	\$1,923,758	\$339,451	\$2,263,209
● Funding per Mwh*	\$ 0.0060	\$ 0.0010	\$ 0.0070
● Staffing (Full Time Equivalents)	5.10	0.90	6.00
● Request Texas RE Board approve the 2010 Texas RE Supplemental Structural Separation Budget			

\*

Funding is received at the budgeted level and charged-out based on 2008's NEL (Net Energy for Load). We are presenting the cost per Mega Watt Hour (Mwh) for comparison purposes only.

# 2010 Structural Separation + Base Budget Recap

## Total Base + Supplemental Structural Separation Budget

	<u>Statutory</u>	<u>Non-statutory</u>	<u>Combined</u>
● Operating Expense Budget	\$ 8,252,770	\$1,420,059	\$ 9,672,829
● Capital Budget	\$ 306,500	\$ 67,000	\$ 373,500
● Start Up Budget	\$ 971,793	\$ 171,493	\$ 1,143,286
● Cash Reserve	<u>\$ 1,554,518</u>	<u>\$ 62,400</u>	<u>\$ 1,616,918</u>
● Subtotal Budget Requirements	\$11,085,581	\$1,720,952	\$12,806,533
● Less: MOU Expenses in Base	(\$ 969,337)	(\$171,060)	(\$ 1,140,397)
● Less: Unspent Funds (prior years)	(\$ 593,982)		(\$ 593,982)
● Less: Cash Reserves on Hand	(\$ 855,000)		(\$ 855,000)
● Less: Depreciation Expense	<u>(\$ 301,127)</u>	<u>(\$ 56,669)</u>	<u>(\$ 357,796)</u>
● Funding Requirements	\$ 8,366,135	\$ 1,493,223	\$ 9,859,358
● Funding per MWh*	\$ 0.0258	\$ 0.0046	\$ 0.0304
● Staffing (Full Time Equivalents)	36.10	6.90	43.00

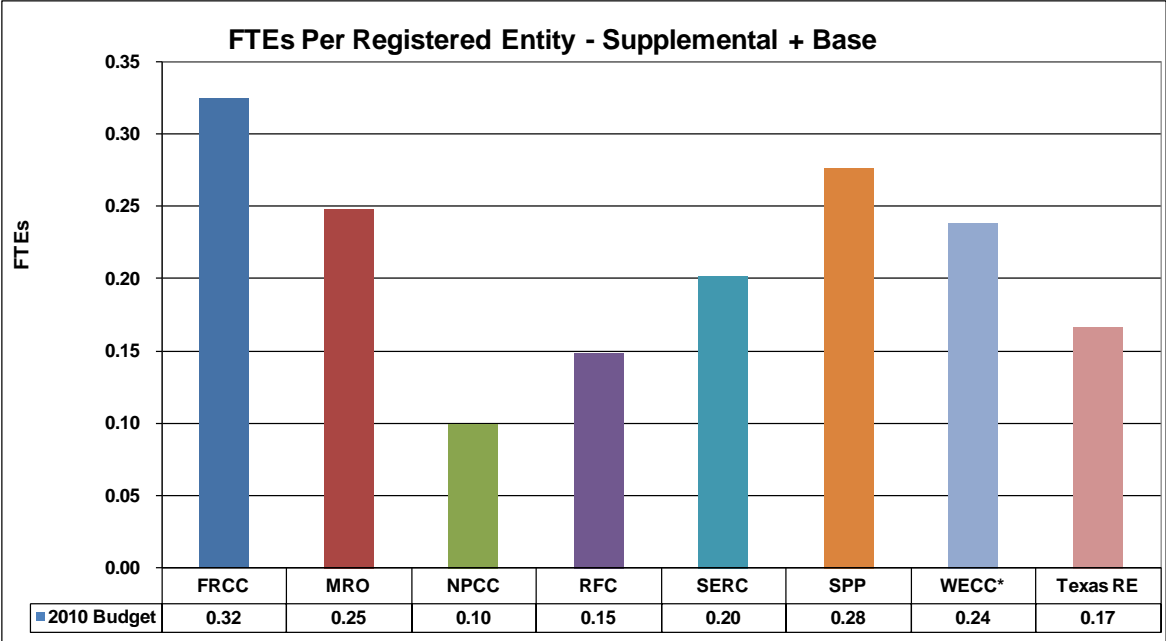
\* Funding is received at the budgeted level and charged-out based on 2008's NEL (Net Energy for Load). We are presenting the cost per Mega Watt Hour (MWh) for comparison purposes only.

# 2010 FTEs by Function – Base + Supplemental

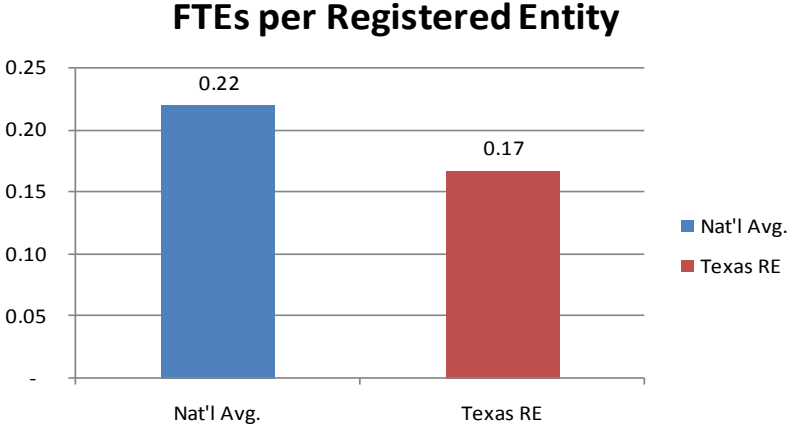
Total FTE's by Program Area	2010 Base Budget	2010 Supplemental Budget	2010 Combined Budget	Change from Base Budget
<b>COMBINED STATUTORY &amp; NON-STATUTORY FTEs</b>				
<b>Operational Programs</b>				
Reliability Standards	2.06	0.00	2.06	0.00
Compliance and Organization Registration and Certification	18.74	0.00	18.74	0.00
Training and Education	0.97	0.00	0.97	0.00
Reliability Assessment and Performance Analysis	2.44	0.00	2.44	0.00
Situational Awareness and Infrastructure Security	3.03	0.00	3.03	0.00
Protocol Compliance	5.04	0.00	5.04	0.00
<b>Total FTEs Operational Programs</b>	<b>32.28</b>	<b>0.00</b>	<b>32.28</b>	<b>0.00</b>
<b>Administrative Programs</b>				
Members Forums & Technical Committees	0.00	0.85	0.85	0.85
General & Administrative	1.05	0.00	1.05	0.00
Information Technology	0.69	1.70	2.39	1.70
Legal and Regulatory	1.17	0.85	2.02	0.85
Human Resources	0.00	0.85	0.85	0.85
Finance & Accounting	0.85	0.85	1.70	0.85
Protocol General & Administrative	0.96	0.90	1.86	0.90
<b>Total FTEs Administrative Programs</b>	<b>4.72</b>	<b>6.00</b>	<b>10.72</b>	<b>6.00</b>
<b>Total FTEs</b>	<b>37.00</b>	<b>6.00</b>	<b>43.00</b>	<b>6.00</b>



# FTEs per Registered Entity-Base + Supplemental

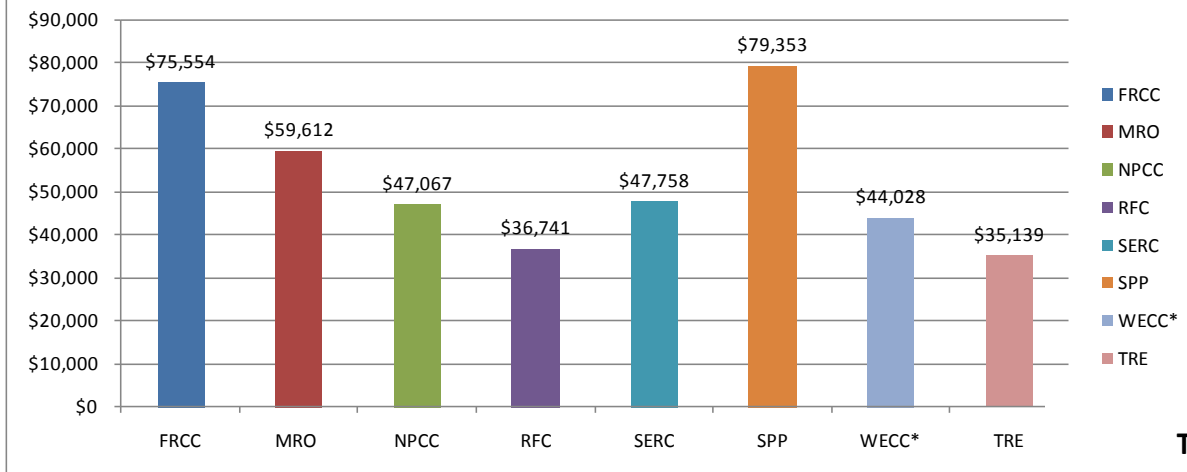


NOTE: The WECC budget has been adjusted downward to eliminate the Reliability Coordinator function headcount from the comparison (estimate only).

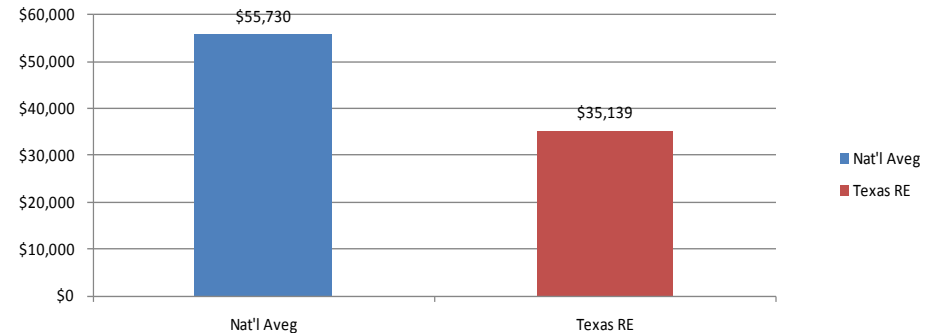


# Statutory Cost per Registered Entity - Base + Supplemental

**Estimated Total Cost per Registered Entity  
Texas RE 2010 Base + Supplemental Budget Costs**



**Estimated Total Cost per Registered Entity  
Texas RE Base + Recurring Supplemental Budget Costs vs.  
National Average**



NOTE: The WECC budget has been adjusted downward to eliminate the Reliability Coordinator function expenses from the comparison (estimate only).

Texas RE reflects recurring supplemental budget costs excluding start-up costs.